

NEWS: EUROPE

Western military alliance fires its first shots in anger



The North Atlantic Treaty Organisation is universally regarded as the world's most powerful and best organised military alliance, and is credited with having won the cold war by its successful defence of western Europe against the overwhelming military power of the Soviet bloc.

Yet the extraordinary fact is that its strength and resolve had never been tested in actual combat - until yesterday Serb aircraft rushed in where Soviet leaders from Stalin to Gorbachev had feared to tread.

The cold war is in fact a classic instance of the old Roman adage, "If you want peace, prepare for war".

Edward Mortimer on Nato's changing role with the end of the cold war

For 40 years Nato filled the north German plain with heavily armed combat units, patrolled the skies and sea lanes of Europe and the north Atlantic with innumerable aircraft and ships, and deployed nuclear weapons of various ranges aimed at Soviet and east European targets. All these forces and equipment were honed with constant exercises, but none of them were actually used, because the Soviet Union never attacked.

Of course, individual members of Nato have been involved in military action in various parts of the world,

and sometimes several of them together - the most spectacular example in recent times being the Gulf war. But those were not Nato operations. The long experience of training and exercising together in Nato came in very useful: forces were diverted from Nato duties, and various Nato logistical assets such as pipelines or communications equipment were used. But the alliance as such was not involved.

Only in the past two years has Nato begun to envisage collective action "out of area", that is outside the territory, waters and airspace of

its member states which it is pledged to defend. It has done so partly in search of a post-cold war role, partly out of awareness that European security is now threatened much more by conflicts within or between the former communist states than by any directly hostile intentions towards Nato members.

At Oslo, in June 1992, the alliance offered its services for peacekeeping duties to the Conference on Security and Co-operation in Europe, which was supposed to become the main regional collective security organisation in Europe under the

UN. But events in the Balkans moved too fast for the CSCE to get its act together, and Nato soon found itself dealing directly with the UN, as an instrument through which various Security Council resolutions could be implemented.

Since July 1992 a combined Nato-Western European Union taskforce has been policing UN sanctions in the Adriatic, and since November 1992 it has had powers to stop and search ships for the headquarters unit of the UN protection force (Unprofor) in Bosnia.

When the Security Council imposed the no-fly zone (NFZ) in Bosnia in October 1992, Nato provided the air surveillance aircraft to monitor it. On March 31, 1993, the Security Council authorised use of force against aircraft violating the NFZ, and on April 2 the North Atlantic Council (Nato's governing body) agreed to provide that force. As Mr Mortimer, Nato's secretary-general, said at the time: "It is the first time that this alliance will run a military operation in practice, not in exercise. It is the first time that this will take

place out of our area. It is the first time that it happens in support of a United Nations resolution."

Last June Nato went further, offering "protective air power in case of attack against Unprofor in the performance of its overall mandate". In August, and again in January and February, it issued specific threats of air strikes against Serb positions. Although these threats were subject to UN request, they were regarded by many, and notably by the Russians, as going beyond what the Security Council had authorised. But the shooting down, after warning, of aircraft violating the NFZ is clearly within the letter as well as the spirit of Security Council resolutions.

Belgrade hopes to exploit Russia's intervention in complex moves for peace settlement

Serbs still believe they hold winning cards

By Laura Silber in Belgrade

Russia's entry into Bosnian peace moves has boosted the confidence of Serb leaders, who believe they can shape the map, not only of Bosnia, but of all former Yugoslavia.

President Slobodan Milosevic, who emerged almost triumphant from recent confrontation with Nato over Sarajevo, was silent in the immediate aftermath of the shooting down of aircraft over Bosnia yesterday. But he is using Serb forces in a way that shows he is convinced Serbia still holds the key.

Serb officials believe Belgrade has seized control, via Moscow, of the political agenda for helping to end the war. Over the past week, Serbian media found every opportunity to praise President Boris Yeltsin, formerly dubbed "an enemy of the Serbian people and the Orthodox world". After supporting Mr Yeltsin's proposal for a "great powers" summit on Bosnia, Mr Vladislav Jovanovic, Serbian foreign minister, even accused the west of "being more interested in blocking the Russian initiative than in putting forward an alternate plan".

In this vein, Serb officials believe the US is pursuing its own agenda, seeking to restore the Croatian-Muslim alliance so as to provide a balance of military power in Bosnia. This could isolate the Serbs and

force them to make concessions but the gamble could backfire. "Serbia cannot be excluded from any peace agreement," a UN diplomat said.

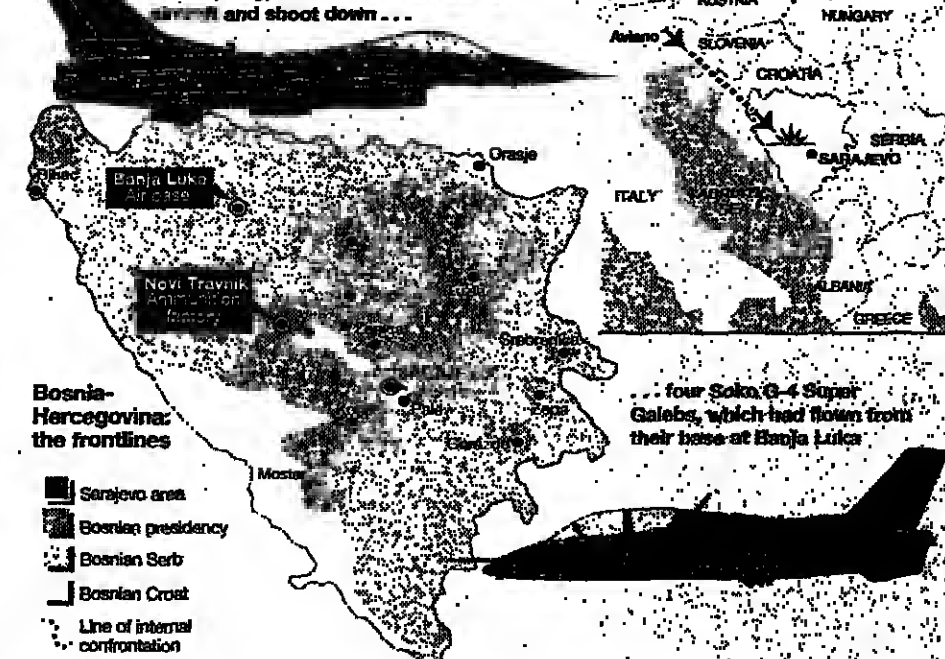
The US plan would undermine the alliance cultivated in secret between Zagreb and Belgrade, aimed at dividing Bosnia at the expense of the Muslims. With Croatia and Serbia about to normalise relations, there is one outstanding issue: the status of Serb-held territory in Croatia, frozen under United Nations supervision.

According to senior Croatian officials, Washington has promised to guarantee return of those territories to Zagreb in exchange for Croatian backing of the US peace plan. But in a threatening broadcast, Belgrade radio on Sunday warned that the US moves could not only provoke clashes in Bosnia but lead to renewed fighting in Croatia between Serbs and Croats. Mr Jovanovic yesterday called it a "bellicose plan", warning Zagreb to stand with Belgrade despite US pressure.

These statements reflect Mr Milosevic's belief he can derail the US initiative and weaken his adversaries. Recent events support this view: while Serb forces waged an offensive against the Bihac enclave in north-west Bosnia, Bosnian Serb leaders last week in the River Sava linking Serb-held territories in Croatia and Bosnia - to warn Zagreb that local Serbs, under control of Bel-

Nato turns words into action

Three US Air Force F-16s, based in Aviano, Italy, confront six Bosnian Serb aircraft and shoot down...



fierce opponent of Bosnian President Alija Izetbegovic.

There has been a stand-off between Serb forces and UN troops at a bridge over the River Sava linking Serb-held territories in Croatia and Bosnia - to warn Zagreb that local Serbs, under control of Bel-

grade, could make trouble.

Serb forces in the Dalmatian hinterland are poised again to destroy the strategic Maslenica bridge, which is now operating as a magnet, says Mr Simic. The bridge joins northern Croatia with its southern Adriatic coast.

While sceptical about pros-

pects for a Croat-Muslim alliance, Belgrade fears the US will use the alliance to exert pressure on Bosnian Serbs to give up more land. This could include ceding access to the northern River Sava, which would effectively sever the east-west corridor linking

Serbia with other Serb-held territory in western Bosnia and Croatia.

This would result in a new round of fighting in northern Bosnia. The Muslims would probably join with the Croats to cut the corridor. The Serbs would fight against this tooth and nail," argues Mr Prodrac Simic, head of the Institute for International Politics and Economy in Belgrade.

But Mr Milosevic is aware that if the war continues, the Serbs may lose their considerable advantage over the Muslims and Croats. More war would prolong Serbia's isolation. UN sanctions, imposed 21 months ago for Belgrade's role in the violent partition of Bosnia, would remain in force without a peace agreement.

While watching what role the US plays, Serbian leaders are already confident the balance of forces now involved in the peace talks has fundamentally changed.

"Russia and the US are playing an old-fashioned game called the cold war, with Bosnia as a magnet," says Mr Simic. While the Serb leadership awaits Moscow's next move, the Serbs believe Russia will defend them.

'Circus' turns deadly serious

By Laura Silber in Belgrade and Jody Dempsey in London

A United Nations official in Zagreb said yesterday that the no-fly zone over Bosnia-Herzegovina had been a "circus" since Nato aircraft began enforcing it some 10 months ago.

The UN declared the no-fly zone on October 9, 1992. Nato aircraft started enforcing it on April 12, 1993. Under UN resolution 816, backed by Russia, no fixed-wing aircraft or helicopters are allowed to fly over Bosnia without prior permission and clearance from the UN.

The aim of the resolution, directed at Bosnian-Serb forces, Croatian aircraft and Bosnian government helicopters, was to prevent munitions and supplies reaching all three armies.

Bosnian Serbs began with a numerical advantage, since their air force was inherited from the former Yugoslav army. The Bosnian-Serb air force includes 30 fixed-wing jets - 12 Galeb and Jastreb light attack aircraft, 12 ex-Yugoslav Orao fighter bombers, six Russian-made MiG-21 fighters - and 15 Gazelle helicopters.

The Bosnian army is equipped with helicopters and light aircraft, while Croatia has four MiGs, although unconfirmed reports claim

that the Croatian air force has acquired an additional 16 MiGs.

Since the enforcement of the no-fly zone, numerous violations have taken place.

According to UN officials in Belgrade and Zagreb, 1,397 violations were recorded between October 1992 and January 1, 1994. They add that between January 24 and February 17 alone, there were 152 violations, with the Bosnian Muslims responsible for 77, the Croats for 55, and the Serbs 19.

Most of these violations were by helicopters transporting munitions and personnel into military zones.

UN officials say that between last December 20 and January 24, the vast majority of the 65 violations were carried out by Muslim and Croat forces, mostly over central Bosnia.

More than 170 Nato aircraft have carried out 7,250 sorties, or fighter missions over Bosnia. Most of the aircraft fly out from the Italian air base at Aviano, Nato's largest base in southern Europe. The US, the Netherlands, France, Britain, Spain and Turkey are involved in the sorties, known as "Operation Deny Flight".

The sorties are backed up by Avian surveillance aircraft and fuel tankers. Altogether, Nato has carried out 13,650 sorties over Bosnia.

Deals struck on east German coal and power

By Quentin Peel in Bonn

Germany's three largest energy utilities yesterday announced agreement to take over the lion's share of east Germany's power generating and coal mining industries, in a deal valued at more than DM10bn (\$5.6bn).

The deals are the climax of two years of often bitter and complex negotiations with the Treuhand privatisation agency and the German government.

The big three - Essen-based RWE, PreussenElektra, owned by Veba, and Munich-based Bayernwerk - will jointly own 75 per cent of Veag, the main east German electricity company, for a price of DM2.1bn, will involve the shareholders in a further investment of DM60m over the next 20 years, according to Mr Friedhelm Gieske, RWE's chief executive.

The Rheinbraun subsidiary of RWE will be the 51 per cent majority shareholder in Laubag, with PreussenElektra taking 30 per cent, and Bayernwerk 15 per cent. RWE Energie will hold the balance.

The deals were announced in Bonn after a meeting of government and industry leaders chaired by Chancellor Helmut Kohl. They represent the final step in privatising the entire east German energy industry. Last year, the Treuhand agreed the sale of the other main brown coal mining operation,

Mibrag, to an Anglo-American consortium involving Britain's PowerGen, NRG Energy of Minneapolis, and Morrison Knudsen of Idaho.

The whole process was delayed by legal challenges from east German local authorities, who sought to control a larger share of the lucrative power generation industry themselves. The states of Saxony and Brandenburg are still seeking a bigger say in the operations.

Veag supplies some 70 per cent of east German electricity, primarily from brown coal-fired power stations. It had a turnover of DM8.4bn in 1992, and made profits of just DM7.5m. Since 1990, its workforce has been halved to around 14,500.

Mr Gieske confirmed the planned investment of DM60m in Veag over the next 20 years, to provide an eventual capacity of 7,200MW.

He said that the five Laubag open-cast mines would be modernised and kept in operation and five closed. The total workforce of 12,000 would be reduced to 8,000 by the year 2000. The mines would eventually produce 50-55m tonnes of coal, compared with current capacity of some 75m tonnes.

Contracts for the two deals are to be signed by the middle of the year, according to today's announcement. Then the utilities will have to make a downpayment on the DM2.1bn purchase price for Laubag, followed by further payments in the course of operation. Payments for Veag will also be spread over 20 years.

Danish coalition loses its majority

By Hilary Barnes in Copenhagen

Denmark's four-party centre-left coalition government yesterday lost its one-vote majority in the Folketing when a member of the Centre Democratic party resigned to sit as an independent.

The opposition is expected to try to exploit the change to force the government into calling an early election. However, the dissident Centre Democrat, Mrs Bente Juncker, has said that as long as the government sticks to the policy programme agreed when the government was formed in January last year she would not help to bring it down.

An election to the Folketing must be called by the prime minister, Mr Poul Nyrup Rasmussen, the Social Democratic party leader, by December 6. Mr Rasmussen has repeatedly said that he will postpone calling an election as long as possible.

Mrs Juncker was appointed minister for social affairs, replacing a Social Democrat minister, in a cabinet reshuffle on January 27. The reshuffle was intended to strengthen the government in general and the Centre Democrats in particular in the run-up to the election, but it went badly wrong.

Two weeks after the reshuffle Mrs Juncker was dismissed for passing on libellous rumours to journalists concerning the head of a home for mentally retarded adults.

Recent opinion polls suggest that the government - made up of the Social Democrats, the Centre Democrats, the Christian People's party and the Radical Liberals - will lose seats in an election. There is a risk that the Centre Democrats, with nine seats, and the Christian People's party, with four seats, will be eliminated from the Folketing altogether.

If an election result were to follow the opinion polls, Mr Rasmussen would continue to have a good chance of forming a minority administration, but he would have to rely on the support of the left-wing Socialist People's party.

Fiat workers back deal to save jobs

By Robert Graham in Rome

Works councils at Fiat's Italian vehicle plants have overwhelmingly endorsed a complex government-sponsored agreement avoiding large-scale job losses.

The deal directly affects 16,000 of Fiat's 95,000 vehicle workforce and was brokered by Mr Ghini Giugni, the labour minister, between the Fiat management and union leaders last Monday.

The Fiat, the main engineering union, insisted the agreement be put to a shop-floor vote because Fiat's plans to cut its workforce by more

than 5 per cent and lay off a further 10 per cent had provoked serious unrest in the previous three weeks.

Although less than 60 per cent of the workforce voted, almost 90 per cent favoured the deal in most plants.

The closest vote was at Alfa's Arese plant outside Milan, believed by the unions to be threatened with closure. Here, 58 per cent accepted the agreement.

The high numbers in favour suggested that employees previously threatened with job losses or up to two years laid off (and with an uncertain future after that) opted for a

generous package of work sharing and early retirement.

The more militant among the unions rejected the deal because they said it funded job cuts at Fiat without any clear future industrial strategy.

The deal is based around four points: early retirement for 6,000 workers and staff; "solidarity contracts" covering some 3,500 jobs and affecting 8,700 people, involving a shorter working week, salary cuts and job sharing; government subsidised retraining and job hunting for 2,200; and the commitment to spend up to L450bn (\$182m) on the development of a clean car.

According to the latest estimates of the labour ministry, the agreement will cost some L310bn more than the original package of job pruning measures proposed by Fiat last November. Of this L220bn will cover early retirement, split jointly between the government and Fiat. A further L90bn covers the solidarity contracts over the next three years.

The funds earmarked for the development of a clean car include over L500bn for an electric car. These funds were already in the ministry of science budget.

Put together the overall cost of achieving labour peace at

Fiat and allowing the Turin-based group the means to fight the recession in the automotive business over the next three years comes close to L600bn.

This figure also excludes the cost to the social security budget of 4,100 persons to be covered by temporary lay-offs until 1996.

With unemployment still rising it is extremely doubtful whether the next government can afford to be so generous in offering job losses. Over the weekend Prof Mario Monti, one Italy's leading economists, was highly critical of the Fiat package.

Bank of Italy warns on budget deficit

By Robert Graham

The Bank of Italy yesterday warned of a growing budget deficit in 1994, thanks to a deeper than expected economic recession and administrative delays in public spending cuts.

The warning was contained in the central bank's half-yearly economic report, which was cautious on the possibility of an early recovery and predicted a further deterioration in unemployment.

The report's publication yesterday coincided with the opening of the campaign for the March 27 general elections and the announcement of the main parties' economic programmes.

As such, the report is a sober reminder of the limited economic policy options for the next government.

Behind guarded language, the central bank is attempting to hammer home the message that the reform of Italy's pub-

lic accounts by the Amato and Ciampi governments is far from complete. The implicit suggestion is that the next government will have to introduce a mid-year mini-budget.

Such a view flies in the face of the electoral propaganda of the Forza Italia movement of Mr Silvio Berlusconi, the media magnate. Mr Berlusconi is promising to reduce fiscal pressure and preside over an early recovery for "a new Italian miracle".

The report says provisional figures for last year suggest that the economy recorded a negative growth of 0.7 per cent against the modest 0.9 per cent increase the previous year.

Record export growth only partially offset the severe drop in domestic demand.

For 1994, the bank says it is too early to judge whether the official growth target of 1.6 per cent can be achieved. The report says the 1994 budget's aim of holding the

public sector deficit to L144,000bn (\$57.6bn), equivalent to 8.7 per cent of gross domestic product, will be hard to achieve.

"The 1994 financial objectives will be complicated by lower than expected growth in production, especially as a result of 1993, and by spending cuts having less effect than desired because of difficulties in introducing structural changes in a short time," it says.

Industrial unrest hits transport

Striking transport workers disrupted German cities yesterday as industrial unrest spread from the engineering industry to the public sector, Reuter reports from Frankfurt.

Bus and train drivers in the industrial heartland of North-Rhine Westphalia prevented thousands from getting to work on time. Protest stoppages lasted for several hours.

The action against calls by the employers for a wage freeze and benefit cuts was the latest in a series of disputes over pay and job security which are hitting the German economy as it struggles to emerge from recession.



Mr Michel Girard, "clear deceleration"

By David Buchanan in Paris

The rate of increase in France's record unemployment is slowing, but the politics of how it is ever to be reduced is hotting up, with the Socialist opposition and unions accusing the conservative Balladur government of undermining the minimum wage.

Insee, the official government statistics agency, said yesterday that the number of unemployed rose by 4,800 in January to 3,307m, leaving the overall jobless rate at 12.2 per cent.

Mr Michel Girard, the labour minister, said this showed a "clear deceleration", because for the third successive month fewer than 5,000 people had joined the dole queue, compared to monthly increases of more than 30,000 in January-June 1993 and of more than

15,000 last autumn. Mr Edouard Balladur, prime minister, yesterday reacted to the January job news in the tentative tone he always adopts in discussing this chief bugbear of his government.

His goal of reducing unemployment in 1995, when France elects a new president, "is perhaps not out of reach", he said.

Mr Balladur went on to complain of "false debates based on false information" that he was undercutting the country's so-called Smic minimum wage for young people. The row was sparked by last week's publication of decrees implementing Mr Girard's new employment law.

Despite a student union's call for a protest and the threat of a further row when the government and unions discuss employment on Thursday, Mr Girard said he had no intention of changing the law voted by parliament last autumn.

Not, however, was Mr Girard in favour of a specially low "youth wage" to price young workers into jobs.

This is in contrast to the more radical deregulatory views of the British conservative government whose employment minister, Mr David Hunt, will visit Mr Girard in Paris this week.

French national output in the last quarter of 1993 rose by 0.2 per cent over its level in July-September, Insee reported yesterday, showing an overall 0.7 per cent drop for 1993 in the French economy compared to 1992.

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سكنا من الاموال

NEWS IN BRIEF

Four Hungarian state companies put up for sale

Hungary yesterday launched the country's Ft4bn (£25.8m) mass privatisation programme by announcing the first four public offerings in hotel chain Pannónia, plastics manufacturer Pannoplast, brewer Soproni Sörgyár and food retailer Global TH, writes Nicholas Denton in Budapest. A tranche of state shares in the national telecoms company, Matáv, which remains after the \$875m sale of 30 per cent to Deutsche Telekom of Germany and Ameritech of the US, will follow in the autumn.

Over several years Budapest expects to sell state shares in 70 companies worth a total of Ft120bn, including holdings in MVM, the electricity utility, and Mol, the national oil and gas company. The government aims to broaden share ownership beyond the foreign investors and state company managers who have dominated Hungary's four-year privatisation drive, though it plans to offer only minority tranches in companies already managed by an industrial investor.

While state sell-offs have helped Hungary attract a total of \$7.1bn of foreign investment, and management buy-outs have become more common in the past year, public offerings have involved only about 25,000 retail investors out of a population of 10m. The privatisation authorities said that they expect to persuade hundreds of thousands of Hungarians to pay the token Ft20,000 fee to join the small shareholder programme and buy up to Ft100,000 worth of shares on highly preferential terms.

Bundesbank changes repo rules

The Bundesbank yesterday called for variable-rate tenders in this week's round of securities repurchase agreements, after more than three months of fixed-rate deals at 6 per cent, writes Christopher Parkes in Frankfurt. Although surprised, analysts ruled out any substantial changes in the so-called repo rate, at which the central bank supplies short-term liquidity to the markets.

While observers agreed that the tender would probably result in lower rates, the extent of the decline would be marginal, and none expected any early change in the discount lending rate, reduced to 5.25 per cent in mid-February.

Millions of Romanians strike

Romania's two largest unions said some 2m workers participated in yesterday's general strike, in the biggest union action since the overthrow of communist rule in 1989, writes Virginia Marsh in Bucharest.

The strike, in protest at the lack of economic reform, hit hardest in the chemical, petrochemical, metal, transport and food industries, the unions said. Harbour workers closed the Danube port of Galati and also disrupted shipping at Constanta, the main Black Sea port. Radio Bucharest reported. Health and education were also seriously affected but roads and telecommunications were unaffected.

EU aid for Portugal

Portugal is to receive \$4,450bn (£17bn) in European Union aid over the next six years - more than twice as much as in the previous six years - according to an agreement signed yesterday, writes Peter Wise from Lisbon.

The aid, equivalent to about 3 per cent of Portugal's gross domestic product over the six years, will be made up of \$3,250bn in direct transfers from the EU and \$1,200bn in low-interest loans from the European Investment Bank. Most of the funds will be spent on transport infrastructure. Economists estimate the aid will mobilise total private and government investment of more than \$10,000bn up to 1999 and create 100,000 jobs.

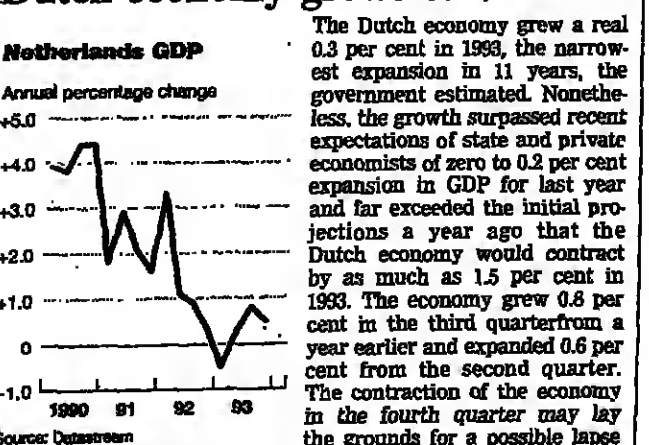
Hurd appeal on Macedonia

Britain's foreign secretary, Mr Douglas Hurd, yesterday urged Greece to lift its trade embargo against Macedonia and resume UN-sponsored talks in the dispute over the former Yugoslav republic's flag and constitution, writes Kerin Hope from Athens. Mr Hurd, in Athens for talks with Mr Karolos Papoulias, his Greek opposite number, said the embargo was illegal and unjustified and would destabilise Macedonia. He endorsed a Macedonian proposal to sign a treaty guaranteeing its frontier with Greece.

'Red-green' outlook in state

Two weeks before a state election in Lower Saxony, a poll by the German television station Sat 1 shows the Social Democratic Party (SPD) and the Bündnis 90/Greens would be able to form a so-called "red-green" coalition government, agencies report from Bonn. The SPD is currently supported by 47 per cent of the voters while the Bündnis 90/Greens are supported by 8 per cent. The Christian Democratic Union is currently polling 38 per cent of the vote. Nationwide, however, a poll shows a mild upswing in support for the CDU.

Dutch economy grows 0.3%



into recession early this year, should the first-quarter GDP also contract. Cold and wet winter weather this year compared with last year is likely to have undermined output in the key construction sector. The will publish definitive GDP data for the fourth quarter in April.

■ Eastern Germany's industrial output in December declined by 9.3 per cent from November but was up 11.2 per cent from the year. Eastern German data are not adjusted. November output was left unrevised at down 4.4 per cent.

■ Pushed by a surge in foreign trade, German plant and machinery orders rose a real 3 per cent in January from a year earlier, the VDMA industry group reported. Domestic orders dropped 8 per cent in January on the year, while foreign order surged 15 per cent.

■ Italy's retail sales index was down 0.6 per cent in October from a year earlier. The index covers sales from 10,000 outlets across the country. From January to October the index rose 3.1 per cent.

Yeltsin sacks head of domestic intelligence

Tit-for-tat expulsion of US diplomat reminiscent of Cold War, reports Leyla Boulton



Golushko: conscience clear

President Boris Yeltsin yesterday sacked the head of his domestic intelligence service, apparently over the bungled attempt to stop the amnesty of his enemies. He also presided over the first tit-for-tat expulsion of a US diplomat under his rule.

The dismissal of Mr Nikolai Golushko as head of the domestic counter-intelligence service, which only in December replaced the security ministry, is the latest in a series of changes to the domestic remains of the former KGB. He

is likely to be succeeded by his deputy, Mr Sergei Stepashin, a young former MP seen as something of a liberal.

When the Soviet Union broke up, the KGB was split up into the security ministry and the external intelligence service. The latter, responsible for spying on foreign countries, has not been subject to the same upheavals as its domestic twin.

Yesterday, the External Intelligence Service's successful running of a mole in the CIA claimed its latest victim:

the expulsion of a US diplomat from the Moscow embassy.

The Russian move, reminiscent of Cold War era tit-for-tat expulsions, followed the expulsion of a Russian diplomat from Washington after the arrest of Mr Aldrich Ames, accused of spying for the Soviet Union and then Russia.

Although no explanation was provided, the domestic intelligence chief's sacking appears to be linked to a separate domestic scandal over the amnesty granted by parliament to Mr Yeltsin's bitterest foes.

The men were freed despite instructions from Mr Yeltsin to Mr Golushko, Mr Victor Verin, the interior minister, and Mr Alexei Kazannik, the prosecutor-general, to treat the amnesty as a case of the parliament exceeding its powers.

Mr Kazannik, who resigned at the weekend, said yesterday he had disagreed with the objections formulated by Mr Yuri Baturin, the president's national security adviser, that the parliament had granted a pardon, which it had no consti-

tutional right to do, rather than an amnesty.

In further fallout from the debacle, Mr Kazannik, a once devoted Yeltsin supporter who criticised the amnesty and gave up his parliamentary seat for Mr Yeltsin in the late 1980s, hit back at attacks from the presidential entourage for alleged haste in freeing the leaders of the October coup.

He said his conscience was clear and criticised "those who would want to use the law as a doormat".

Moldova vote good for peace, bad for economy

By Jill Barshay in Kishinev

Moldova's former communist establishment took a huge lead over both nationalists and market reformers in the war-torn country's first parliamentary elections on Sunday, according to preliminary results.

The vote suggests Moldovans have rejected the old nationalist aspiration to reunite their former Soviet republic with neighbouring Romania and want to make peace with their Russian-occupied breakaway region of Trans-Dniester. With a third of votes counted by late yesterday, the Agrarian-Democratic Party had won 45 per cent of the vote and the pro-Russian socialist bloc 25 per cent. Counting is

slow in a country of isolated villages and poor communications.

The Agrarian party favours repairing relations with Moscow and making concessions to the discontented Russian minority in Trans-Dniester, which boycotted the elections. Trans-Dniester, threatened by the hopes of Moldova's first independent government to merge with Romania, fought a breakaway war which claimed 500 lives in 1992.

A fragile peace has held since July 1992, largely through the presence of more than 7,000 Russian troops there.

But negotiations have stalled on a final political settlement to withdraw the Russian troops and grant the

region a special autonomous status.

While the Agrarian victory may be good for peace, however, it may seriously damage the economy. The party, which is more agrarian than democratic, threatens to destroy a radical economic reform experiment launched last autumn when the government, an informal coalition of former communists and economic reformers, asked the west for help.

Moldova agreed to introduce tight monetary policies and to cut inflation in return for financial support. Now, however, the national bank's fastidious monetary policies, among the most determined in eastern Europe, and a newly launched privatisation programme may be cast aside before

the reforms have a chance to take hold.

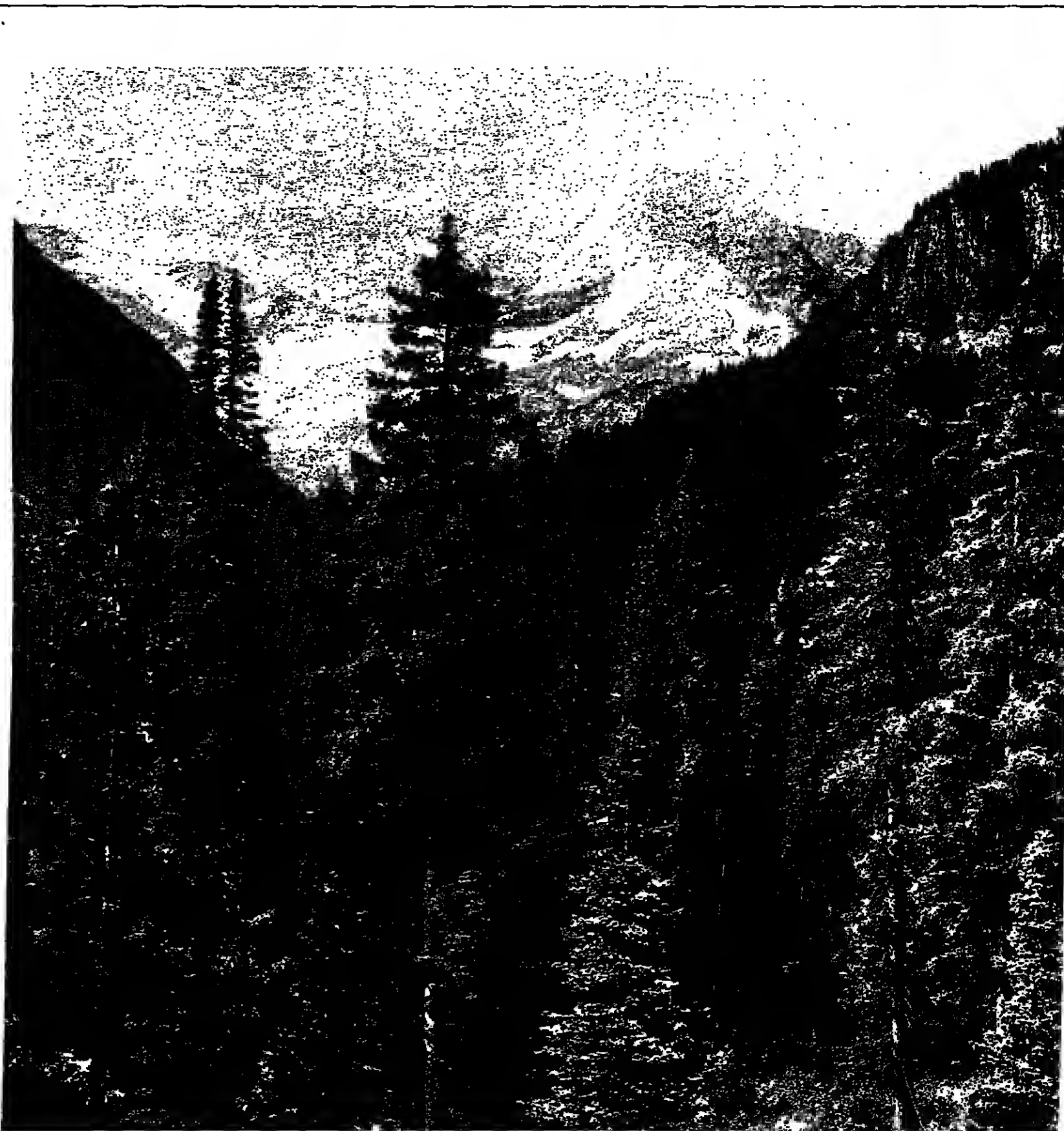
The prime minister, Mr Andrei Sangheli, who ran on the Agrarian ticket, approved the reform deal, but observers say he is not ideologically committed to it. "There will be credit expansion and price increases," said a reformist economist, Mr Anatoly Gudim. "It's inescapable."

This spring will test the Agrarian party. To keep monetary policy in check it will need to withstand pressure from the farm sector, which it represents, to issue a wave of credits for planting crops. Issuing those credits would risk losing more than \$200m in International Monetary Fund and World Bank loans. But for-

going spring planting would be unthinkable. Agriculture accounts for some two-thirds of the economy.

The national bank governor, Mr Leonid Talmaci, who is technically subordinate to the parliament, has said he is "ready to resign" if parliament orders an expansion in the money supply. "Reducing inflation is my most important task. I will not degrade our new currency," he said.

The privatisation ministry, headed by Mr Vissarion Cheshnev, is under fire, too, and he expects to be thrown out of office. The Agrarians have denounced as illegal his plan to auction off a third of state property by the end of the year and are calling for a complete review of the programme.



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THE BUSINESS TO BUSINESS MAGAZINE FOR CHINA

NEWS: WORLD TRADE

Malaysia sees trebling of telecoms in six years

By Andrew Adonis in Hong Kong

The Malaysian government wants to more than treble the size of its telephone network in the next six years, and is anxious for western telecoms companies to help, the country's telecommunications minister said yesterday.

Mr Samy Vellu told an FT conference on Asia-Pacific telecommunications in Hong

Kong that Malaysia planned to increase its number of phone subscribers from 2.3m to 7.8m by 2000 as "a core aspect of our infrastructure modernisation".

It looked to western operators and equipment suppliers to play an "active role". Mr Vellu made no reference to the Malaysian government's ban on state contracts going to UK companies.

Cable & Wireless, the UK telecommunications group with a majority share in Hong Kong Telecom, is keen to invest in

Malaysia. It has been in talks with Binarang, a private Malaysian company which recently gained a digital cellular telephony licence and is believed to be seeking a western strategic partner with which to build its network.

Mr Joseph Farina, president of network systems for Nynex, the US regional Bell operator which has invested in Thailand, said Nynex's joint venture with local partners to build 2m new lines for the Bangkok area was "an attractive model" for

other partnership projects in the region, notably in China. Nynex is one of several US operators investing in the region's countries with emerging markets.

Mr Farina contrasted the equivalence in the number of phones and television sets per head in the US - about 1.2 - with the position in Asia. Vietnam has 26 people per TV but 435 people per telephone. "That is an important validation for us of the likely boom in the Asian telecoms market," he said.

Mr Andrew Harrington, Asia telecoms analyst with Salomon Brothers in Hong Kong, predicted that the market capitalisation of listed telecoms companies in the region would increase from about \$85bn to \$150bn over the next four years, with the number of listed companies rising from about 20 to 50.

Mr Alex Arena, Hong Kong's telecommunications regulator, said the Hong Kong government's aim was to make the colony a "telecommunications hub" for

the region by pursuing strong pro-competition policies. Hong Kong Telecom's monopoly in domestic traffic is to expire next year. Three companies have been licensed to enter the market.

The Australian government is pursuing still stronger competition policies, giving all city residents the chance to vote to change telephone company in municipal ballots. Mr Robin Davey, Australian telecommunications regulator, said more than 50 per cent of residents had voted.

Hungary awards telecoms deals

By Nicholas Denton in Budapest

Alcatel, Compagnie Générale des Eaux, US Telecom East and other foreign telecom providers are among the winners of eastern Europe's first tender to operate local telephone services, Hungary announced yesterday.

The telecommunications ministry said the auction of the eight-year exclusive local concessions had raised Ft8.2bn (\$80m). Foreign-led consortia won 15 of Hungary's 54 tele-

phone districts, committing themselves to invest Ft20bn in the first three years alone. Bidders committed themselves to increasing line density by 15.5 per cent a year and promised that by 1997 users would not have to wait more than a year for a line.

CGE, the French public utility group, paid the highest single fee, of Ft1.3bn, for the rights to Szeged, the largest city in south-eastern Hungary, and won one other district.

United Telecom Services - a partnership of French tele-

coms equipment maker Alcatel and US Telecom East, a local telecommunications operator based in the US - was the winner in four areas: Central Euro Telecom and Hungarian Telephone & Cable Corporation, both US-led consortia, won two districts each.

The capital, Budapest, and 38 other districts are retained by Matav, the national telecommunications operator, in which Deutsche Telekom of Germany and Ameritech of the US took a stake of 30 per cent for \$875m in December.

The tender is an element of Hungary's relatively liberal line in telecoms policy. Allowing separate local and national providers of telephone services, the pattern in the US, is unusual in western Europe.

The telecommunications ministry also said it would be prepared to grant licences for local telephone operators to provide cable television services in parallel. Hungary would be one of few countries where the barrier between telecommunications and television has been breached.

Posco wins Korean phone licence

By John Burton in Seoul

Pohang Iron and Steel (Posco) yesterday was selected to lead a consortium to operate South Korea's second mobile telephone network. But the decision is unlikely to end the controversy marring the project since it was announced four years ago.

Posco competed against Kolon, a textile group, for the lucrative licence, which was awarded by the Federation of Korean Industries (FKI), the country's main business organ-

isation, on behalf of the government.

Posco's leadership of the consortium is likely to raise questions about the government's commitment to privatise the telecommunications industry since the steelmaker's largest shareholder is the state.

The FKI explained that Posco had offered better technology and had stronger capital resources than Kolon. It is one of the world's most profitable steel companies.

Posco will take a 15 per cent stake in the consortium, fol-

lowed by Kolon with 14 per cent. Half of the consortium's shareholding will be distributed among hundreds of domestic companies.

Mannesmann of Germany and Pactiv of the US had backed Posco, while British Telecom and Nynex of the US had supported Kolon.

Foreign companies have been promised a 20 per cent stake in the venture but they must submit new bids, with those willing to transfer the most advanced technology being favoured.

Three or four foreign telecommunications operators are expected to be selected by the FKI after consultations with Posco. Other bidders may include Vodafone of the UK, Hutchison Telecom of Hong Kong, and GTE of the US.

Foreign companies bidding for a share in the consortium have privately complained that the FKI selection has been governed by backroom dealing among the domestic participants. "This could emerge as a major trade issue," said one US official in Seoul.

Wood row goes against Gatt grain

Michiyo Nakamoto on US pressure on Japan to cut tariffs on timber imports

When the Ohashis, a family living in Yokohama, built their house, they chose to use an American-style structure and imported wood from Washington state.

"We really liked the design - it's warm in the winter, cool in the summer and keeps the moisture out," the Ohashis say.

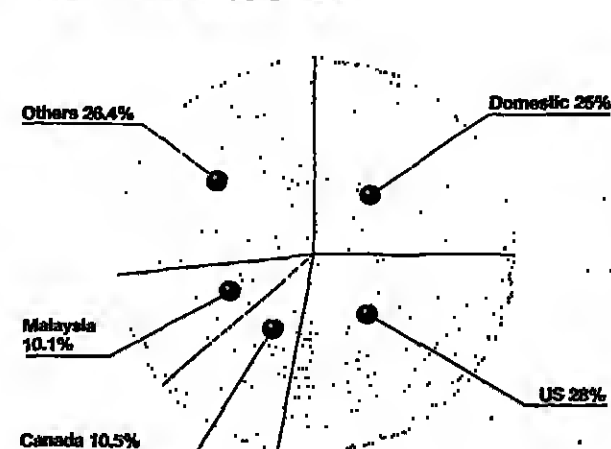
They are among a growing number of Japanese who are choosing North American lumber for their homes rather than the traditional cedar found throughout Japan's mountainous landscape.

The trend has helped to fuel a bustling trade in wood products imported into Japan not only from the American continent but from as far off as Finland and Sweden.

This trade in wood products has become the focus of a row between the US and Japan that has cast a shadow over the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade.

The US is unhappy with an offer by Japan to reduce tariffs on wood products that was made last year to conclude the

Japan: wood supply 1991



Source: All Japan Federation of Lumber Associations

Uruguay Round talks.

The Japanese offer was to reduce tariffs by 51 per cent on a trade-weighted average and on certain products by 33 per cent in accordance with a separate US-Japan agreement in 1990. It was accepted last year by the US and other countries. Since then, however, the US has called on Japan to eliminate tariffs on wood products

altogether. This has upset Japanese officials. "We don't want to re-open negotiations, we don't want to unravel the package," one Japanese official said.

On Friday Japan duly submitted its tariff schedules to Gatt on the lines of the offer made during the Uruguay Round negotiations.

However, pressure on Japan

to reduce its tariffs on wood products further is unlikely to be eased.

In a recent newspaper advertisement, the American Forest and Paper Association noted that, were the Japanese government to remove its tariffs on imported wood, it would improve the lifestyle of the people, stimulate the economy and take leadership on the international stage of trade.

The association noted that by some estimates, if tariffs were removed, the cost of constructing a wooden house in Japan would fall by about 20 per cent.

It is an argument that is likely to find widespread support among the Japanese public, frustrated at being charged several times more for a house than would be the case in most other countries.

The bureaucrats and industry officials who consider US demands unreasonable argue that there are sound reasons for not giving in.

The first is that the Japanese wood industry could be driven to annihilation if tariffs are removed entirely. The industry has already been damaged by the flood of imports which now

dominate the market.

In the early 1980s, the Japanese government, faced with a construction boom and a shortage of domestic wood supplies, decided to encourage imports by reducing tariffs.

Since then, the share of foreign wood products has surged to 75 per cent of the Japanese market, of which US wood comprises 28 per cent. Together with Canadian wood, the 38 per cent market share of North American products far exceeds that of domestic supplies. The value of imports has doubled from \$5.36bn in 1985 to \$10.89bn in 1992.

"Our campaign for the greater use of wood has benefited foreign wood products more than domestic ones," says Mr Motohiko Wako, vice-president of the All Japan Federation of Lumber Associations.

Mr Wako explains that North American wood has become popular in Japan because of lower prices and reliable quality.

Mass plantations reduce costs while the yen's rise has contributed to the competitiveness of foreign products.

North American wood is also uniform in quality and distribution is efficient, so that it is possible for buyers to order wood from the west coast by phone without seeing the product. Japanese wood varies significantly in quality, so that buyers are required to go to a lumber market to check on quality, Mr Wako says.

A second argument is that because of environmental movements in the US and elsewhere, Japan cannot rely on imports to supply its huge appetite for wood products.

The US already imposes export restrictions on its wood and the Clinton administration has announced a policy to limit logging to protect the environment. As a result North American lumber prices have doubled since 1992.

Japan also has its environmental concerns. The planting of trees prevents landslides in Japan's mountainous terrain, ensures clean water and helps prevent global warming, Mr Wako says.



BRITAN TELLS CHINA NOT TO HIT UK COMPANIES

Sir Leon Brittan, European Commissioner for external relations and trade, warned China yesterday not to punish British companies in retaliation for a row over Hong Kong, saying such action against any member of the European Union was unacceptable. Reuter reports from

Beijing. Sir Leon is shown above speaking at a press conference in Beijing with Mr Wu Yi, China's minister of foreign trade, yesterday. Sir Leon, holding talks on subjects including Beijing's bid to re-enter Gatt, said non-discrimination was the basis of EU trade policy.

Warning by Miti to US over retaliation via Gatt

By Michiyo Nakamoto in Tokyo

A high-ranking Japanese trade official yesterday warned that, if the US were to impose sanctions against Japan and its action were found to be in breach of Gatt rules, Japan could retaliate against the US.

The US has already announced its decision to impose sanctions against Japan over a dispute regarding Japan's opening of its mobile phones market. There are also moves in the US to reinstate the Super 301 US trade act clause, which gives Washington the right to impose sanctions against unfair trade practices.

However, Mr Yoshihiro Sakamoto, director-general of the industrial trade policy bureau at the ministry of international trade and industry,

admitted that the yen's appreciation, which has hurt Japan's exporters and dampened its near-term recovery prospects, has its benefits for Japanese industry too.

He said that, while the yen's rapid appreciation has had a negative impact on the Japanese economy, in the long run the currency realignment would help change Japan's industrial structure by forcing a general restructuring. "I believe that, over a long time span, the higher yen will have an impact on the competitiveness of Japanese goods and services and that, as a result, Japan's industrial structure will change over time," Mr Sakamoto said. "As a result, the export-oriented industrial structure will gradually change as the yen's appreciation forces uncompetitive

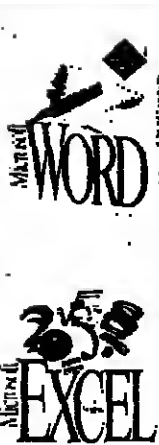
industries to move production overseas."

The Japanese government needed to do more to encourage this change in industrial structure, by promoting greater inward investment.

The government has targeted four main areas where it will work to change Japan's export-oriented industrial structure, help increase imports and thereby benefit consumers as well as reduce the country's huge trade surplus, a target of international criticism.

The areas are: deregulation to help increase imports and foreign investment, improvement of government procurement procedures, new measures to increase imports and foreign investment, and improvements in competition policy.

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Fed is fighting its corner

Bentsen may modify bank proposals

By George Graham in Washington

Plans to consolidate the multi-layered US bank regulatory system will face a crucial test this morning when Mr Lloyd Bentsen, Treasury secretary, presents the administration's proposals to the Senate banking committee.

Three months after he outlined plans to draw the four federal bank regulatory agencies into a single federal banking commission, Mr Bentsen is expected to offer some flexibility in order to meet the complaints of the Federal Reserve Board, which is fighting to preserve its regulatory authority.

But the Treasury and the Fed have not yet reached a deal, and the Fed has won considerable support from an array of bankers and state banking supervisors who fear the concentration of too much regulatory power in a single agency.

At the moment, the Fed oversees bank holding companies, foreign banks, and state chartered banks which belong to the Federal Reserve system. Other state banks are monitored at the federal level by the Federal Deposit Insurance Corporation, which runs the fund guaranteeing depositors in the event of failure.

The separate category of nationally chartered banks

comes under the Office of the Comptroller of the Currency, while savings and loan institutions are overseen by the Office of Thrift Supervision.

The Fed argues that its ability to keep in close touch with the financial system and prevent banking catastrophes would be diminished if it were reduced to an observer's role in bank supervision, although some banking observers point out that well respected central banks like the German Bundesbank have no regulatory role at all.

To general surprise, bank reform legislation is now widely expected to pass Congress this session. It is likely, however, to concentrate on measures allowing banks to open branches outside their home states, not on regulatory consolidation.

An interstate banking bill passed the Senate banking committee last month by a unanimous vote after Senator Christopher Dodd of Connecticut, who has held up similar legislation for years by linking it to restrictions on banks' ability to sell insurance, abandoned his opposition.

The House banking committee, whose influential financial institutions subcommittee has already passed similar legislation, is expected to take up the interstate banking bill next week.

Major and Clinton mend their fences

Philip Stephens on the British premier's visit to Pittsburgh

President Bill Clinton and British Prime Minister John Major yesterday staged an elaborate and self-consciously public reconciliation to repair the damage done to Anglo-American relations by recent disputes over Bosnia and Northern Ireland.

As he prepared to meet Mr Clinton in Pittsburgh for a series of carefully choreographed photo-opportunities, Mr Major said that past difficulties had been "substantially put behind us".

The Pittsburgh encounter - chosen because Mr Major's grandfather and father had once lived there - followed intense talks between Mr Major and senior administration and congressional figures on Bosnia, Russia and British policy in Northern Ireland.

US officials said the two leaders' informal talks in a Pittsburgh restaurant and during a visit to a new development on the site of an old industrial complex in which Mr Major's grandfather might once have worked were a clear signal that Washington still saw Britain as a reliable ally.

Mr Major's aides, clearly anxious to show the special relationship was alive and well, went to elaborate lengths

to point up the generous amount of time Mr Clinton had allocated to the visiting prime minister. Mr Major was due to return to Washington late last night to stay with the Clintons at the White House.

For his part Mr Major offered unequivocal support for the action of US aircraft in Bosnia which shot down Serbian aircraft violating the United Nations no-fly zone over the former Yugoslav province.

After talks with Vice-President Al Gore and Mr Warren Christopher, secretary of state, Mr Major said US action had been fully justified. "I think it does illustrate that UN resolutions cannot be ignored with impunity. That might be a very useful lesson for the future."

Implicitly acknowledging the recent differences between London and Washington over Bosnia, Mr Major added there was now full agreement on a two-track approach.

Praising the US for its efforts to broker a deal between the Bosnian Muslims and Croatia, he said the search for a political settlement would go on in parallel with efforts to extend the US's recent success in lifting the siege of Sarajevo. Meanwhile, London and Washington would work jointly at



From left, CIA director James Woolsey, secretary of state Warren Christopher and defence secretary William Perry meet John Major at the British embassy in Washington yesterday

the UN to return Sarajevo to civilian administration.

Mr Major, who insisted that reports of a breach between the two governments had been "wildly overdone", also made it clear that he expected no real dispute over Britain's approach to Northern Ireland. Questions

on British anger over Mr Clinton's decision to allow Mr Gerry Adams, Sinn Féin leader, into the US had not soured the atmosphere. "That's gone. That's behind us." He now expected Washington to back Anglo-Irish attempts at political settlement.

British officials said Mr Major had won the support of both Mr Christopher and Mr Gore for a policy of continuing to back Russian President Boris Yeltsin despite the threat to his position caused by the release of the leaders of last year's attempted coup.

Doubt over prospects for peace in Mexico

By Damian Fraser in Mexico City

The Mexican government and Zapatista rebels have entered their second week of talks to end the two-month peasant uprising in the southern state of Chiapas, amid conflicting reports on how close they are to a provisional agreement.

Bishop Samuel Ruiz, the mediator, said a peace declaration was "already drawn up and agreed in fundamental terms". He said a draft accord could be ready by tomorrow, after which rebels would return to their villages and consult their supporters.

However, Sub-commandant Marcos, the rebel spokesman, said there was still no agreement on crucial issues, such as self-rule for indigenous peoples, national electoral reforms and changes to the constitution that would permit permanent re-distribution of land.

Part of the difference between him and the bishop may be due to the weight given to any preliminary accord. The rebels have insisted that accords are only "mountains of paper" and that there can no peace until government promises are fulfilled.

Brazil unveils details of plan for real currency

By Angus Foster in São Paulo

Brazil yesterday unveiled details of its plan to replace the currency, the cruzeiro real, which is plagued by annual inflation of about 2,500 per cent.

This is part of an overall economic restructuring programme for Brazil, the only large South American economy still grappling with near hyperinflation.

A new accounting unit, the URV (real unit of value), is to come into effect today. Its value will be fixed at \$1 (67 pence) but its cruzeiro equivalent will be increased daily to reflect inflation of the local currency. Salaries must be denominated in URVs, with immediate effect. The government hopes the private sector will switch other prices and contracts voluntarily.

Once the URV has gone into widespread use, probably not before May, the cruzeiro is to be abolished. A new currency called the real, fixed at parity to the URV, is to take its place. The government chose this complicated two-step process to let contracts be adjusted to the new accounting unit and avoid legal challenges.

Mr Winston Fritsch, economic policy secretary, described the URV as an "economic lobotomy", designed to remove Brazilians' memory and expectation of inflation.

The country's profligate gov-

ernments, federal and state, have been forced to issue short-term securities at very high interest rates to finance their budget deficits. This has fuelled inflation. Partly as a result, the economy has become highly indexed, with prices often adjusted several times each month to reflect past inflation.

The government hopes that, by linking all contracts and prices to the URV, prices will continue to increase in cruzeiro terms but will be stable in URV and dollar terms. Once people realise the URV is stable, expectations of inflation will wither. "Only when we move to the real will the fall in inflation be rapid," according to Mr Fernando Henrique Cardoso, finance minister.

Most economists agree the plan works, in theory, and that it was correct to tackle the budget deficit first. The government finished negotiating the budget with Congress last week and can now claim it has closed a projected deficit of about 5 per cent of GDP.

Even so, the economic programme still faces many problems, especially political pressures to increase spending before the presidential and congressional elections in October. Also, the compulsory conversion of salaries into URVs may be unpopular, especially since the government had promised conversion would be voluntary.

Peru telecoms go to Spanish bidder

By Sally Bowen in Lima

A consortium headed by Telefonía de España yesterday became the new owner of the Peruvian telecommunications systems.

The \$2bn (£1.34bn) bid by the consortium it led had surpassed the most optimistic expectations, easily outbidding groups headed by GTE and South Western Bell/Korea Telecom, which offered \$930m and \$857m respectively.

The sale expands the role of Telefonía de España in the expanding Latin American telecommunications market. It already has big stakes in Venezuela, Argentina and Chile.

Hundreds packed the auditorium of Lima's National Museum yesterday for the opening of the bids in Peru's largest privatisation so far.

The sale was considered a success and should boost forthcoming privatisations. It was run by UK-based Morgan Grenfell, with Coopers & Lybrand as management consultants.

The winning consortium has

three Peruvian partners with 5 per cent apiece - the Wiese Bank, construction company Grana y Montero, and brewer Backus and Johnston.

Telefonía Perú, as the new operator will call itself, acquires 35 per cent of Lima's telephone company, CPT, after capital increases in the original 20 per cent state holding. The remaining shares are held privately and are actively traded on the Lima stock exchange.

Also, Telefonía wins a 35 per cent controlling interest in Entel, the Peruvian state provincial and long-distance monopoly. The new owner will continue to enjoy monopoly on the long-distance service for the next five years.

It is expected that Telefonía will have to invest \$1bn-\$1.5bn over the next five years to meet the sale conditions, which call for a virtual tripling of Peru's 630,000 lines. The company will also have to ensure that every Peruvian town of more than 500 inhabitants has a telephone service.

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NEWS: INTERNATIONAL

Japan reviews defence policy

By William Dawkins in Tokyo

The Japanese government yesterday opened the first review of defence policy for nearly 20 years.

A nine-member panel of businessmen, academics and civil servants, named by Prime Minister Morihiro Hosokawa, held its first meeting and is to report by the summer on Japan's changing defence needs.

It will have to strike a balance between pressure for defence cuts and fears of weaker US commitment to Japan's security when regional stability is at risk.

"As the world has changed dramatically after the collapse of the Cold War structure, our handling of defence and security must change as well," Mr Hosokawa told the panel yesterday.

Any change in defence policy is politically sensitive. Only three months ago, Mr Katsuke Nakamichi, director-general of the defence agency (the Japanese equivalent of defence minister), resigned after suggesting Japan's pacifist constitution be revised to let its soldiers take a combat role under United Nations command.

Japan's military, at 246,000 personnel, is already small by

the standards of its regional neighbours - less than half the size of that of South Korea. Defence spending per head is smaller than Italy's.

This is a consequence of Japan's post-war pacifism and reliance on 24,000 US troops, 190 aircraft, and the 60 vessels of the US Seventh Fleet stationed in and around Japan.

The government has started to squeeze the defence budget, after more than a decade of above-average increases. It will rise this year by only 0.8 per cent, the smallest increase for 34 years. The Japanese military is also planning to reduce the number of army bases by 40 per cent from 1994.

The right wing of the government coalition believes the personnel reduction should be accompanied by more spending on electronic defence, such as the two advanced airborne warning and control systems aircraft and the upgraded computers for Patriot missiles included in this year's budget.

On the other side of the debate, the Social Democratic party, largest member of the coalition, is in theory committed to unarmed neutrality, but is content simply to see a continued squeeze on defence spending.

Housing boost fails to lift economy

Japan's industrial economy continues to bump along the bottom of a recession, but government efforts to boost private housing have begun to lift household spending, William Dawkins writes.

That is the message from Japan's latest mixed bag of statistics yesterday, indicating clear signs of recovery have yet to emerge.

Industrial production fell 2.1 per cent in January, against the equivalent month in 1993, setting a new record of 28 months of year-on-year declines, the ministry of international trade and industry said. But output recovered 0.3 per cent from December's level, a slight rebound from the previous month's 1.9 per cent decline. Industrial production represents just under a third of economic activity in Japan.

Despite the industrial gloom, strong growth continued in low-cost housing, helped by subsidised government loans and low prices. Housing starts rose 20.7 per cent in January, from a year earlier, the 20th month of year-on-year increases, the construction ministry said.

Legacy of apartheid may bless its creator

Patti Waldmeir tries to fathom why some blacks may vote for the National party

President F.W. de Klerk is driven out of coloured townships by stones and bullets; constitution minister Roelf Meyer has goat's bile poured over his head in an African ritual - all part of the National party's quest to persuade the victims of apartheid, South Africa's non-white voters, to support their erstwhile oppressors in all-race elections in April.

However immoral or impossible this may seem to outsiders, South African politicians know that it is a real prospect. The NP seems assured of significant support in coloured and Indian communities; and even among black Africans, it could partly contain the expected landslide for the African National Congress.

The party's biggest campaign handicap - apartheid - could yet prove its greatest strength.

For apartheid set out to divide South Africa by race and tribe, and to breed in blacks a sense of inferiority which fosters subservience; and it is exactly that legacy of racism, ethnicity and dependency which seems

to motivate non-whites to vote NP.

Most coloured voters say they will vote NP because they "do not like blacks": black NP supporters cite tribalism as a reason for opposing the ANC, which they claim is dominated by the Xhosa tribe, both say they do not believe blacks are capable of running a sophisticated economy.

Even in modern, urban, ethnically-mixed Soweto, the National party can tap a deep vein of tribalism and inverted racism. Mr David Chumane, the NP's chief black organiser, relies heavily on ethnic scare stories, such as his claim that ANC officials in the civil service are sacking any public servant who is not a Xhosa (even though there are no ANC officials in top positions yet and no such sackings have been reported).

He doubts the ability of blacks to run the South African economy. "The whites are the brains behind the economy," he says, noting that "the blacks did provide the labour". He fears affirmative action

because "I have seen in the African states what it has done", saying blacks are not used to handling large sums of money and implying that corruption will be the inevitable result.

Mr Chumane candidly admits that his relationship with the NP is opportunistic: "I saw an opportunity in the NP and I said: the NP is stranded, they need somebody black." And anyway, he adds, when he returned from decades in exile with the black-supremacist Pan Africanist Congress, there were no good positions going in the ANC. So, he is asked, you sold yourself to the highest bidder? "It does look like that," he says, with hardly a hint of embarrassment.

Mr Chumane is almost certain to be elected as a member of parliament, given that he is seventh on the NP's election list for the region around Johannesburg. But his evident opportunism - and the shady personal history of some other black NP candidates, including two notorious "warlords" from the western Cape - does little



President F.W. de Klerk campaigns in sunny mood

to inspire confidence among the electorate.

This may matter little. Blacks are not so much voting for the NP as against the ANC. This is clear from the numerous hangers-on at the party's unmarked Soweto offices (on the floor above the ANC office).

Asked why blacks should vote NP, Rocks Mseleku, a young NP organiser, tries a number of replies: "People join for the love of the party"; "because the party is open to blacks"; "because they have changed their logo".

He denies receiving payment as an organiser. But all organisers are paid, he is told. "I don't take it like that," he says, adding that he receives R2,000 (£238) a month, twice his previous salary, as "compensation".

Apart from paid officials, it is hard to find anyone in Soweto who admits supporting the NP. Mr Chumane insists that public meetings are held almost every weekend and house-to-house canvassing is constant. But when Soweto NP information officer Vronnda Banda takes a group of journalists out canvassing, he goes only to the home of his parents, and to his friend Rocks Mseleku, who refuses to shake his hand, and says his life is endangered by the visit.

"The NP is the party of the oppressor, it's the party that tortured you," says Mr Mseleku, who like Mr Banda was once a member of the ANC's armed wing, Umkhonto we Sizwe (Spear of the Nation).

So far the party's attempts to

create a new non-racial identity have elicited either outrage or humour. When the long-suffering Mr Meyer went to Soweto the weekend before last to be "introduced to the ancestors" it was hard not to laugh.

Comments Weekly Mail columnist Bafana Khumalo: "Oh, it's tough being a New Age Nationalist. To make it big these days you have to humour the natives, whether it's shouting 'viva' at their meetings or listening to them when they start their African gobbledygook."

But it is the NP that could laugh last. Mr Chumane says 5 per cent would be a good showing in Soweto (where there are perhaps 1.5m voters); opinion polls show 1 per cent black support nationwide, but political intimidation may render them unreliable.

The NP says it is aiming at nurses, teachers, civil servants, professionals - people with mortgages and a fear of victimisation. But it seems certain that much NP support will come instead from the less educated, older, more traditional residents such as Godfrey Mthembu, NP Soweto organiser: "I know I can never be over the white man. I know I need him. If I break my leg without his medicine I'm crippled for life."

That was, after all, the message of apartheid. Indeed, South Africa's first all-race poll may serve to reveal, through the support the NP gets among blacks, just how successful apartheid was.

HK bank system comes under fire

By Simon Holberton in Hong Kong

Hong Kong's Consumer Council yesterday made a stinging attack on the colony's banking system, calling for deregulation of interest rates and more financial disclosure from the banks.

The council estimated profits earned by the colony's banking cartel through restrictive practices had grown to 0.8 per cent of Hong Kong's GDP gross domestic product in 1991 from 0.3 per cent in 1985, or to HK\$5.2bn (£452m) from HK\$1.2bn.

Since 1984, interest rates for small deposits in Hong Kong have been subject to an agreement between banks. Banks were also allowed to understate or overstate their actual profits by making secret transfers (or withdrawals) of profits to (or from) "inner reserves".

The council said it could find no argument to support the old rationale in favour of the cartel, that the interest rate agreement prevented cut-throat competition. "The banking sector is now more stable and is subject to vigilant supervision of the Hong Kong Monetary Authority," it said.

The council said Agreement covering interest rates on deposits below HK\$500,000 should be phased out by 1997; by 1996 banks' annual and interim results should be published on a fully disclosed basis. At present, only HSBC Holdings, parent of Hongkong and Shanghai Bank, and Hang Seng Bank, a HSBC listed subsidiary, produce fully-disclosed financial results. The HSBC group of banks reported annual results yesterday.

Since Governor Chris Patten arrived in Hong Kong in 1992 the colonial government has stressed competition in its economic policy. The main author of the report, Prof Edward Chen of Hong Kong University, sits on Mr Patten's executive council.

See Hongkong and Shanghai results; Editorial comment

Malaysia steps up curbs on Britain

By Kieran Cooke in Kuala Lumpur

Malaysia stepped up its action against British business yesterday with the announcement that certain groups of Malaysian students would not now be sent to Britain.

Many thousands of Malaysians study at British universities and colleges.

The Malaysian Trust Council, a government-backed agency, said that about 1,000 students it had intended sending to Britain would now go elsewhere.

The council would terminate a contract with a British company which places Malaysian students in British universities, it added.

Last Friday, Malaysia announced a ban on grant government contracts to British companies in retaliation for reports in the British media alleging that senior Malaysian officials had taken payments from British companies which had been seeking contracts in Malaysia.

Mr Sulaiman Daud, Malaysian education minister, said Malaysian colleges should end twinning arrangements with British educational institutions.

"Private colleges which do not comply will be risking their business," Mr Sulaiman added.

Concern has been expressed by British companies that virtually all contracts in Malaysia, whether public or private ones, would be affected by the ban.

Mrs Rafidah Aziz, Malaysian minister for trade and industry, said yesterday that the move against British companies should not be viewed in any way as a trade barrier or sanction.

"The notion that Malaysia had imposed trade sanctions against Britain is not true at all," the trade and industry minister declared.

"It's merely centred on not entertaining tenders from British firms."

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Rao government goes for gamble on growth

Budget runs inflation risk, writes Stefan Wagstyl

The government of Mr P V Narasimha Rao, India's prime minister, yesterday declared its intention to gamble on growth. In his budget speech, Mr Manmohan Singh, finance minister, signalled more strongly than before his belief that the economy is in good enough shape to run the risk of inflation and other problems which over-eager pursuit of growth might bring.

He acknowledged dangers lay along the path he had chosen. "But my considered view is that the risks involved in the course of action I have proposed do not cross the limits of prudence." The main element in Mr Singh's gamble is a decision to tolerate higher levels of public borrowing than would have seemed possible a year ago.

He disclosed that the fiscal deficit for the year to end-March will probably hit 7.3 per cent, far above the target of 4.7 per cent. For 1994-95, he set a target of 6 per cent, again indicating deficit reduction would be given only moderate, not absolute priority.

The first to speak publicly on these figures after Mr Singh had sat down were Mr Pranay Roy and Mr T. Ninan, two

national TV commentators, who both said public borrowing seemed to be "completely out of control".

Businessmen hailed the budget for tax and interest rate cuts and other measures to encourage growth (running at an estimated 3.8 per cent for the year to end-March). Mr Banaji Dhar, president of the Federation of Indian Chambers of Commerce and Industry, said: "The budget has all the ingredients to take India to the world's front-ranking nations".

Mr Singh said in his speech that borrowings had grown more than expected because revenues had fallen short of target mainly because industry was stagnant. Attempts to cut the deficit sharply "might well have been counter-productive".

The risks of running a large deficit were manageable because food stocks were high and industry had plenty of surplus capacity so the danger of increased inflation (now running at 8.5 per cent a year) was low.

The main reason why Mr Singh has been able to take this course is the country's external account performance. Because of incentives the government has given to foreign trade and investment since it

embarked on reform in mid-1991, exports are soaring.

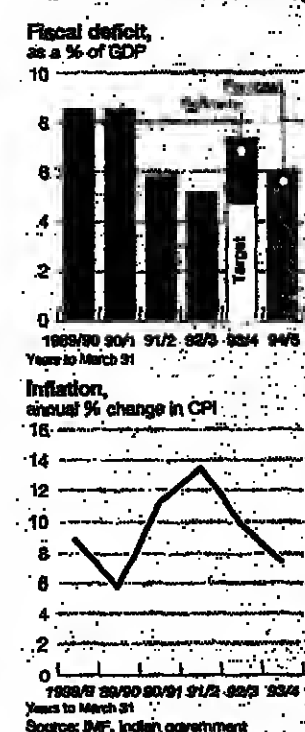
Foreign exchange reserves have leapt to a record \$13bn (\$3.5bn) from \$1bn in mid-1991. India no longer feels the need to kowtow to the International Monetary Fund, which granted emergency loans in 1991, on condition that public borrowings were cut.

Mr Singh yesterday announced that India would repay \$1.4bn early to the IMF, a prudent economic move but also a potent political gesture. For foreign companies, the notable points of interest in the budget are the decision to make the rupee fully convertible on the current account, which should make non-trade transactions easier to process, and further reductions in customs duties, which should promote imports of parts and raw materials. Duties on steel to fall from 75-85 per cent to a maximum 50 per cent.

Maximum corporate tax rate cut from 50 to 40 per cent, though a 15 per cent surcharge stays in place. Taxes on foreign companies operating in India cut from 65 to 55 per cent.

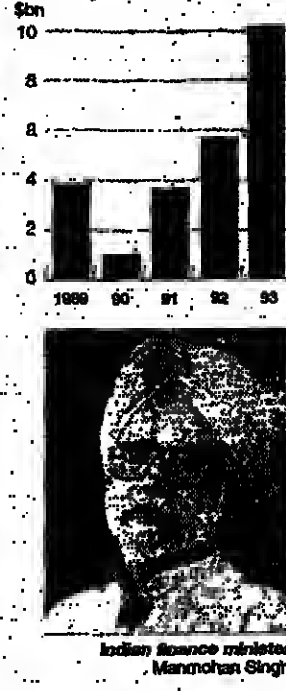
An expenditure (sales) tax on hotels cut from 20 to 10 per cent to boost tourism.

Deficit on the rise again



Source: IMF, Indian government

Currency reserves, \$bn



Source: IMF, Indian government

promote imports of parts and raw materials. Duties on steel to fall from 75-85 per cent to a maximum 50 per cent. Maximum corporate tax rate cut from 50 to 40 per cent, though a 15 per cent surcharge stays in place. Taxes on foreign companies operating in India cut from 65 to 55 per cent. An expenditure (sales) tax on hotels cut from 20 to 10 per cent to boost tourism. A wide-ranging overhaul of indirect taxes, including reduc-

ing exemptions and special cases so that hundreds of rules will be scrapped. Indirect taxes will be extended to services, notably 5 per cent levies on phone bills, non-life insurance premiums and stockbrokers' commissions.

A further Rs57bn (\$1.2bn) to help recapitalise state-owned banks; promises to increase spending on education, health, defence, technology and agriculture.

See World Stock markets

Hebron killings kindle anger of Israeli Arabs

David Horovitz on a threat to co-existence

Mohammed Abu Jamar, a 22-year-old bedouin Arab who worked as a waiter in a Tel Aviv restaurant, got married two weeks ago. Yesterday he was buried in his home town of Rahat, in the southern Negev, the first Israeli Arab to die in clashes with the police for almost 20 years.

So far, Abu Jamar is the only fatality in four days of running street battles between Israeli Arabs and police in the aftermath of Friday's Hebron mosque massacre. But dozens have been injured and dozens more arrested.

The Palestinian intifada - the spontaneous uprising against Israeli occupation that erupted in the Gaza Strip and West Bank more than six years ago - has spread across the international border and into Israel itself. And Israel's political leaders, calling crisis meetings with leading members of the Arab community and urging the police to use as much restraint as possible, can only hope that it will die down once time has begun to heal the Hebron wounds.

From the Knesset podium yesterday, Israel's Prime Minister Yitzhak Rabin appealed to the 800,000 strong Arab community - one fifth of the country's population - to remember their decades of peaceful co-existence with the Jews.

"You are part of us," he declared. "You've been with us for decades, through thick and thin. Loyal partners. We've managed to achieve co-existence and we want to maintain it."

But as Mr Rabin delivered his appeal, many of his target audience were otherwise engaged. For the fourth straight day, in towns and villages from Abu Jamar's Rahat in the south, to the Galilee in the north, hundreds of Arab youths were stoning policemen, and facing rubber bullets and tear gas in return.

In Nazareth, Israel's largest Arab town, windows were smashed on four Israeli buses. Egged, the national bus company, was told to divert its routes elsewhere.

Commission to probe mosque murders

As Israel appointed a five-member commission to investigate Friday's massacre at Hebron's Cave of the Patriarchs, the Israeli army yesterday released an interim report acknowledging security failures, but rejecting Palestinian claims Israeli soldiers contributed to the death toll, David Horovitz reports.

The investigation found Dr Baruch Goldstein fired 111 bullets into the rows of kneeling worshippers. His Galil rifle was recovered, and all the shells collected inside the mosque were found to have been fired from it.

The interim investigation, carried out by the army's central command, established that five soldiers were on duty when Goldstein, a radical Jewish settler, slipped into the building. Four other soldiers supposed to have been on duty had over-slept.

Poor siting of closed-circuit TV cameras enabled Goldstein to make his way into the mosque, crowded with about 400 Moslem worshippers, without being seen.

On the basis of this finding, Israel's Prime Minister Yitzhak Rabin told the Knesset (parliament) yesterday that eye-witness claims of Israeli soldiers killing Palestinians inside the mosque were "nonsense".

The army estimated Goldstein sprayed bullets for 60-90 seconds. The senior officer on duty said he had tried to enter the mosque to intervene, but found one entrance blocked; when he reached a second, he was pushed back by fleeing Palestinians.

In Jaffa, the Arab half of Tel Aviv where some of the worst rioting has been taking place, a police promise to release dozens of Arabs arrested in the past few days

brought a measure of calm. But in Rahat, before Abu Jamar's funeral, a group of bedouin protestors, waving Palestinian flags, chanted anthems familiar from the occupied territories: "With fire and blood we shall avenge the fallen. With fire and blood we shall redeem Palestine."

Up and down the country, local Arab leaders appealed to the police to clear out, to enable them to calm the inflamed populace. "There is a deep crisis in Arab-Jewish relations," said Nazareth teacher Ali Zaydan. "I don't know who can join them back together."

Many analysts have been ascribing the ferocious and unexpected outpouring of Arab rage to the increasing popularity of the Israeli Arab Islamic Movement, which professes to work peacefully for the advancement of Israeli Arabs, but is regarded with deep suspicion by most Israeli leaders.

Some Israeli Jews, though, have acknowledged a deeper cause: the discrimination still routinely suffered by Arab citizens, the minimal government funding for their local councils, the poorer education system, the higher unemployment rates.

If Israel wants to avoid its Arabs rioting again in the future, said Dr Alexander Blei, a former prime ministerial adviser on Arab affairs, "the government must introduce policies to bring full equality for Israeli Arabs".

But perhaps the most fundamental problem is that Israeli Arabs know that Jews, to a greater or lesser extent, still doubt their loyalty, still do not really regard them as "proper Israelis".

In an interview after the Israeli-PLO accord was signed at the White House last September, the Israeli Arab poet Samih al-Qasbi spoke of bow Israeli Arabs have felt in the past "as if we were a fifth column. A time bomb. A demographic danger." So the peace accord, he said, had come as a profound relief, a signal that Israeli Arabs could now "truly integrate". Sadly, it seems, he may have spoken too soon.

Murdoch in bid to reverse TV award

By Nikkai Tait in Sydney

Australia's three main television networks, with Telecom and Mr Rupert Murdoch's News Corporation filed a court action seeking to overturn award of satellite licences to little-known players.

The two licences - "A" and "B" - were auctioned by the federal government last year, via a complex bidding process. To much surprise, the powerful consortium headed by Mr Rupert Murdoch, Mr Kerry Packer and Telecom lost out to a largely unknown accountant, Mr Albert Hadid.

Grants scheme administration is called 'deficient' Another Keating minister quits

By Nikkai Tait

Mr Paul Keating's Labor government yesterday suffered its third senior ministerial resignation in as many months, when Ms Ros Kelly, who held the sports, environment and territories portfolio, announced she was quitting.

Ms Kelly has been battling allegations she gave preference to marginal Labor electorates when administering an A\$30m (\$21.5m) sports and cultural grants scheme before last year's general election. She has maintained no impropriety occurred but has been unable

to produce substantial evidence explaining how the grants were made.

Senator Graham Richardson will take over most of Ms Kelly's duties, while retaining his health portfolio. The government thus avoids another cabinet reshuffle. Mr Keating will resume responsibility for the "status of women".

A parliamentary committee yesterday described Ms Kelly's administration of the sports and cultural grants scheme as "deficient". The minister did not approach the minimum standard in relation to supporting her decisions with documented

reasons," it said, but fell short of censuring her. Five opposition committee members issued a dissenting report, accusing the government members of shortening the inquiry.

The dissenters claimed: "It is beyond reasonable doubt that (the) programme has been used and refined as a part of the government's marginal-seat election strategy and that the grants were used to seek electoral advantage." They said the minister should be censured.

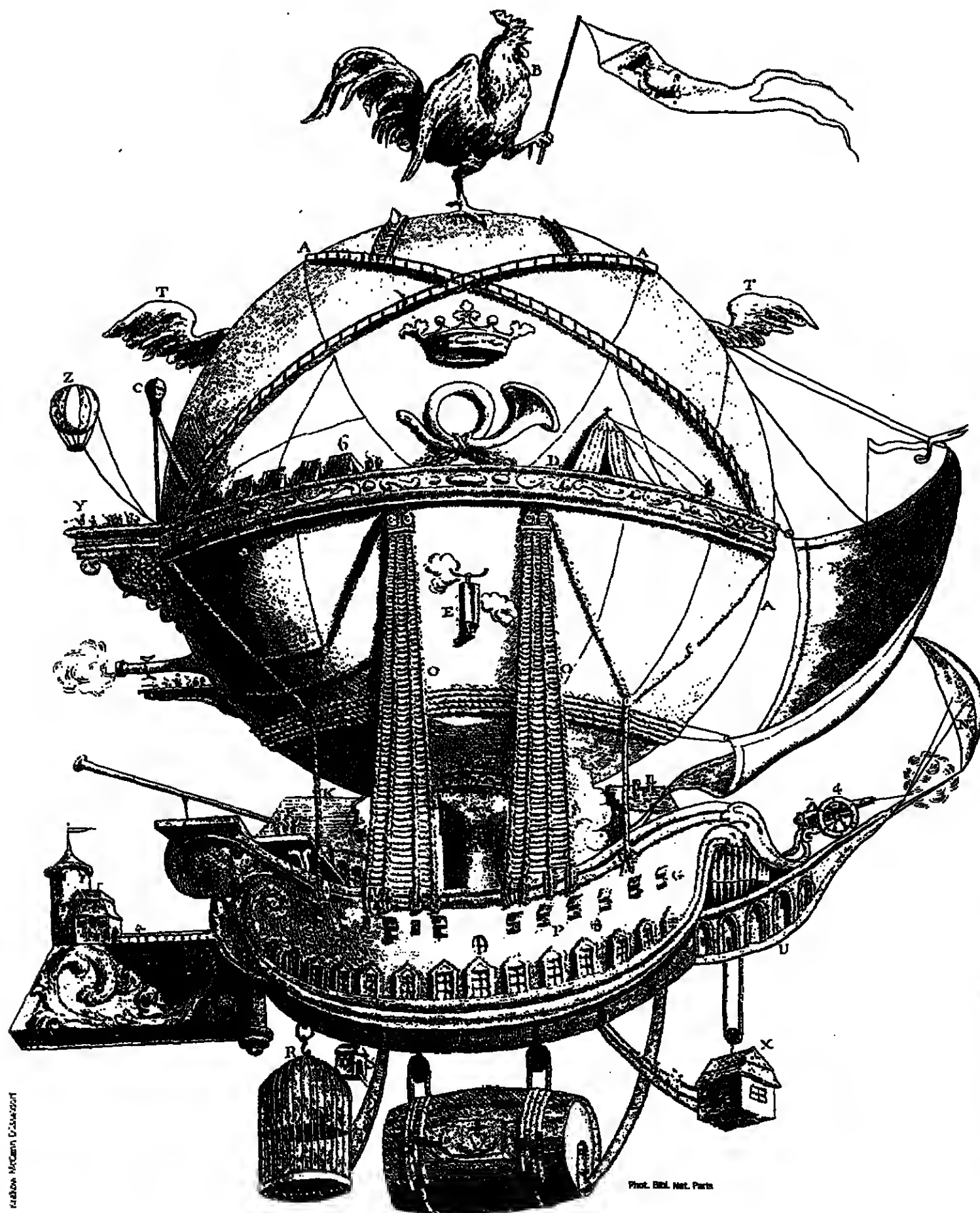
In December, Mr John Dawkins quit as treasurer, as did Mr Alan Griffiths, industry minister, in January.

Walvis Bay transferred to Namibia

South Africa and Namibia signed a treaty yesterday transferring ownership of the port enclave of Walvis Bay, ending what Namibian President Sam Nujoma called the final chapter of apartheid colonialism. Renter reports from Walvis Bay, South Africa.

The treaty gives Namibia sovereignty over the enclave, which includes the only deep water harbour on its coast.

The Namibian flag will be raised over the 1,264 sq km Atlantic coast territory in a midnight ceremony. President Nujoma, said the transfer was long overdue.



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NEWS: UK

Money supply figures raise recovery hopes

By Philip Coggan,
Economics Correspondent

A sharp rise in the purchasing managers' index and newly published money supply figures point to the continuing health of the UK recovery after a raft of sluggish economic statistics in recent weeks.

The news should cheer Mr Kenneth Clarke, the chancellor, as he prepares for tomorrow's monthly monetary meeting with Mr Eddie George, governor of the Bank of England.

Figures released by the Bank yesterday show that M0, the narrowest measure of the money supply, grew by a seasonally adjusted 0.9 per cent in February, for an annual rate of 5.5 per cent, up from 5.3 per cent in January. The rise was ahead of market expectations.

This jump was partly caused by a sharp rise in the erratic component of M0, banks' deposits at the Bank of England. Notes and coins, the main component of M0, grew by a more modest 0.5 per cent in February (also seasonally adjusted), for a 12 month growth rate of 5.6 per cent, down from 5.7 per cent in January.

The government's monitoring range for M0 is 0 per cent to 4 per cent, but the measure has been outside this band for some time. M0's annualised rate of growth over the three months to February was 9.3 per cent. However, the govern-

ment has argued that fast M0 growth has been caused by the fall in interest rates.

The opportunity cost of holding cash instead of putting it in the bank and earning interest - has fallen and therefore people's willingness to hold cash has risen. In technical jargon, the velocity of money has fallen (it circulates less quickly).

Mr Simon Briscoe, UK economist at S.G. Warburg Securities, said that, adjusted for the Treasury's measure of velocity, M0 was within its monitoring range. Previous interest rate cuts occurred, he said, when M0 was within its adjusted monitoring range.

The Purchasing Managers Index, released today, indicates a significant increase of activity in February. The index, compiled by the Chartered Institute of Purchasing and Supply, rose to 55.5 per cent in February, its highest level since last April.

The index is based on a weighted survey of variables, such as measures of output and new orders. Any level above 50 per cent represents an increase over the previous month. January's index, which was 49.1, pointed to a new-year lull in activity.

The institute said that output and new orders were particularly strong in February, reflecting "a general improvement in economic conditions throughout all regions and manufacturing sectors during the month".

Miners face up to a life above ground

David Goodhart meets some union officers who had furthest to fall

Ten years ago today George Hayes, the National Coal Board's area director for South Yorkshire, announced the closure of Cortonwood colliery, triggering one of the largest, and probably the last, great national strike in British industrial history: the 1984-1985 miners strike.

Since the strike, the number of miners has fallen from 196,000 to about 14,000 with political and industrial consequences which have been well charted.

But what has happened to the local officials of the National Union of Mineworkers? Those men - usually articulate and self-confident - were at the core of the political and social networks within mining communities and formed a unique labour movement elite.

As the pits have closed it is those men who have had furthest to fall, losing not only a well-paid job but social status. Many now struggle to earn a living as security guards, school caretakers, or taxi-drivers and look back nostalgically on the days when they were managing the working lives of hundreds of people.

Few have changed their views about the strike. Mr Alan Cummings, 46, a senior official at Easington colliery in Durham, still sees the strike as a political vendetta and still feels bitter about the lack of support from the rest of the labour movement. While others, such as Mr Carl Browning, lodge secretary at Celynen



Ten years on, Alan Cummings from Easington Colliery is still bitter, seeing the strike as a political vendetta

Picture: Reed Owen

South in South Wales, always blamed Mr Arthur Scargill, the miners' leader, for mishandling the dispute - and still does.

Mr Cummings' pit only closed last year, since when he has been winding up union business and is set to join the dole queue next month. He does not expect to be able to exploit his experience of managing people or even to find a job on the Peterlee industrial estate - dominated by the wives of former miners. Instead he is thinking of returning to college.

A fellow official at Easington, Mr John MacManey, has

found a job doing unskilled work in a local factory packing batteries. What he finds hardest of all to take is the close supervision. "Down a mine you have to be able to trust people to get on with the job, but in factories they treat you like a moron," he says.

Another Sharncliffe official, Mr John Swithenbank, has, like many former miners, found employment as a security guard, on about half the pay he received as a miner. He works for the Reliance security company doing 12 hour shifts - three days on days, three on nights, then three days off.

Mr Jim Heel, former NUM treasurer at Celynen South, is one of a small number of miners to have survived as a small businessman. His wife's hardware retail business has been expanded since the pit closed and they run three shops.

Most former NUM officials say that they have to play down their former union work when seeking new jobs. But sometimes they take their strong union traditions into their new jobs. One such is Mr Frank Clarke, former secretary at South Kirkby colliery, who got a job at the Morrison supermarket in Wakefield and

blow some new life into the local Transport and General Workers Union branch.

"They did recognise the union at Morrison's but there were no reps and nothing much seemed to happen", he says. He has also created a Wakefield branch of the TGWU with 750 members, where before there was nothing.

But it has not been easy for Mr Clarke. As a NUM official he was on full-time union business. As a TGWU rep at Morrison's he has to do all union work in his spare time after working a 50 hour week for a little more than £150 a week.

NBC in moves on new TV channel

By Raymond Snoddy

NBC, the US television network, is expressing serious interest in applying to run a new national Channel 5 in the UK. The US company could not by law control such a venture, but is starting to look around for potential UK partners, including national newspaper groups.

NBC has been planning to expand into the European market for some time and last year bought control of Super Channel, the pan-European satellite television channel.

NBC executives believe they could bring a new programme dimension to Channel 5, which three quarters of the UK population could receive.

Last week the Independent Television Commission said it considered there was a strong case for re-advertising the single national licence for Channel 5. The Commission warned, however, that before taking a final decision it needed confirmation from the Government that the necessary frequencies would remain available. The issue is whether a conventional analog Channel 5 would be incompatible with developing digital terrestrial television in the UK.

As the ITC continues to develop a transmission plan for Channel 5, the Government has decided to use the interval "to take stock" on Channel 5 and the present state of digital television. It is likely to be two or three months before a Government decision - considerably longer than the ITC would have liked. The Department of Trade and Industry is believed to be particularly interested in prospects for digital television.

The possible involvement of NBC means there should be competition if a Channel 5 licence is advertised.

Last month MAI, the television and financial services group, Time Warner, the US media giant, and Pearson, owner of the Financial Times, said they had formed a consortium to bid for the Channel 5 licence if one is advertised.

Scots salmon producers angry at Norwegian 'dumping'

By James Buxton,
Scottish Correspondent

Scottish salmon producers have stepped up their action against Norway by making a formal complaint to the European Commission alleging that the Norwegian salmon industry has been dumping its fish on the European Union market.

The complaint comes five months

after European salmon prices collapsed following an unexpected surge in output by Norway, the dominant European producer.

Scottish salmon farmers claim Norway's higher production is made possible only by heavy government subsidies and financial support for the banking system which lends to the farmers. It wants the European Commission to investigate its claim

that Norwegian farmers are selling fish below the cost of production, and if this dumping claim is sustained take action against Norway.

That could entail imposing countervailing import duties, or asking Norway to bring supply and demand into balance, by taking fish off the EU market.

To support its claim of dumping the Scottish Salmon Growers Association

commissioned a report from the accountants Ernst & Young which showed that Norway's high level of salmon production at low prices could not have been achieved without direct grants and subsidies to producers amounting to 20 per cent of the cost of production over the past five years.

It said the losses made by the Norwegian industry over the past five

years had mostly been absorbed by the four major banks, which since 1991 have come under the control of the government.

Mainly because of a surge in Norway's salmon production, helped by breakthroughs in treatment of disease, salmon prices in the EU collapsed last October. In November the EU imposed a minimum import price on salmon which was increased last

month to £2.74 per kg. In recent days salmon prices have strengthened to nearly £3 per kg.

Norway produced 180,000 tonnes of salmon in 1993 compared 140,000 tonnes in 1992, while Scotland's output rose from 38,000 tonnes to 43,700 tonnes, of which 3,500 tonnes were unsaleable because of pollution from the Braer tanker sinking in Shetland.

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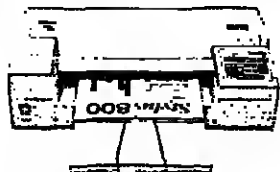
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Unionist blow to progress on Ulster talks

By David Owen, Philip Stephens and Tim Cooney

Attempts by the British and Irish governments to forge a durable settlement in Northern Ireland were dealt a serious blow yesterday when the Ulster Unionists, the province's largest political party, ruled out a return to round-table talks with Dublin and other constitutional parties.

Mr James Molyneux, the UUP leader, said multi-party talks under the old formula of nothing being agreed until everything was agreed were "a recipe for disaster and fail-

ure." But he said the party was prepared to continue with bilateral discussions co-ordinated by Northern Ireland minister Mr Michael Ancram.

The party's stance was immediately condemned by Mr Albert Reynolds, the Irish prime minister, who said any attempt to reach an internal settlement in Northern Ireland was "unacceptable".

Mr John Major also reaffirmed his support for the three-stranded approach, covering relations within the province, between the province and Dublin, and between London and Dublin.

The prime minister, who last night held talks on Northern Ireland with president Bill Clinton, stressed Britain was anxious to draw a line under its dispute with Washington over the visit to the US of Sinn Féin president Mr Gerry Adams.

Launching new UUP proposals for devolved government in Ulster, Mr Molyneux attacked Sir Patrick Mayhew, the Northern Ireland secretary, for "to some extent torpedoing" the Ancram talks process by sending a checklist of ideas on the path to a settlement to Dublin.

Calling for the introduction of

internment as part of an immediate clampdown on terrorism, he warned Mr John Major that the UUP's special relationship with the Conservative party would be jeopardised if the government was not prepared to press on with restoring accountable democracy to the province.

The centrepiece of yesterday's proposals was a call for an 85-member Ulster assembly, elected by proportional representation.

On relations with Dublin, the party said only that its ambition would be to "develop co-operation on matters of mutual interest and concern."

In talks with US congressmen Mr Major emphasised that last December's joint declaration was not designed simply to provide a "quick fix" in the province. It would remain on the table to provide the foundation for an eventual permanent settlement.

It is understood that the prime minister believes that the purely internal assembly sought by Mr Molyneux would be vetoed by Mr John Hume's mainly Catholic Social Democratic and Labour party, which in turn would wreck the prospects of a durable settlement.

Britain in brief



Record fine for insurance company

A widespread and systematic failure to comply with regulatory requirements yesterday cost Legal & General, one of the UK's leading life and general insurance companies, a total of £400,000, including a record fine.

Lautro, the self-regulatory organisation for the UK life insurance industry, ordered L&G to pay a fine of £180,000 as well as the £220,000 costs of its investigation.

The charges, which were admitted by L&G, focus on its failure to keep proper control of its direct sales agents. They highlight in particular the way in which compliance responsibilities were delegated to branch management and staff without enough central control.

L&G said yesterday that it remained committed to the philosophy behind its system - that compliance had to be an integral part of the sales process and so was a matter for every sales agent - but had introduced central checking of all customer information acquired by its sales force.

Mercury wins court hearing

Mercury, the UK telecommunications company, yesterday won the preliminary court hearing of its action against BT, its principal competitor, and Ofcom, the telecommunications regulator. It is the first legal action to be pursued against a regulator of the former state utilities.

Mercury had claimed that Ofcom had not offered it reasonable terms for the carriage of its traffic by BT, through a consistent misinterpretation of BT's government licence.

Mercury's victory yesterday means there will be a full hearing of its application for a legal interpretation of that part of the licence which deal with interconnection.

Tory split on Europe reopens

The difficulties facing Conservative party leaders in producing a unifying manifesto for the Euro-elections in June were further underlined by renewed demands from Eurosceptics yesterday.

In a debate on the enlargement of the European Union they again urged the renegotiation of the Maastricht treaty.

Mr Bill Cash, Conservative MP for Stafford and the most persistent critic of the Maastricht treaty, said it was "perfectly apparent" that it was not working and he suggested that the Treaty of Rome, on which the original European Community was founded, also needed to be renegotiated.

Calor to offer natural gas

Calor Gas, the dominant supplier of bottled liquefied petroleum gas in the UK, has decided to enter the competitive natural gas market.

Mr Howard Robinson, chief executive, said Calor Gas is to offer supplies immediately to consumers using more than 2,500 tonnes a year, with particular emphasis on small commercial users.

Calor's new business will be supplied by Alliance Gas, the joint venture of British Petroleum, Statoil and Norsk Hydro of Norway. Alliance claims to have 10 per cent of the firm market for gas users above 2,500 tonnes. Calor says it might attract 5 per cent to 10 per cent of the 300,000 or so potential customers in the small commercial category.

Baby milk ad plan attacked

UK manufacturers of infant formula yesterday attacked government proposals to ban all consumer advertising of baby milk as a "scandal" which would result in tougher laws than currently apply to tobacco.

The government plans to have regulations in place by June. Health officials want to see an increase in breastfeeding, which is considered better for infants than formula milk. The rule changes also follow on from a European Union directive on infant formula.

Government to review public sector contracts

By David Owen and Roland Rudd

Private companies will be able to win public sector contracts without having to compete against other bidders, under new British government guidelines to be unveiled today.

Mr Stephen Dorrell, financial secretary to the Treasury, will announce that ministers have decided to drop their insistence on competition in all cases, in a effort to get the government's private finance initiative off the ground.

Under the new guidelines, where a contract cannot proceed without access to the intellectual property of the company that came up with the proposal, it will not be put out to public tender.

The move, recommended by the government's private finance working party, is designed to address what has emerged as a significant obstacle to the involvement of private capital in public sector projects.

Companies have been unwilling to commit resources to devising new proposals since, once adopted, they are required to go to competitive tender for implementation allowing the innovation to be won by a competitor.

Addressing an Institute of Directors seminar, Mr Dorrell will set out a framework for

handling competition in private finance initiative contracts.

He is expected to confirm that government departments will be permitted to offer the partial reimbursement of tendering costs if they set out the arrangements under which this would take place before the tendering process starts.

Companies represented on the government's private finance working group have also been assured that when contracts are put out to competitive tendering the competition will only be between three or four big companies. This is designed to cut down on the bureaucracy and time involved in the tendering process.

Government departments will also clearly define public sector contracts in order to avoid what one member of the committee called "the chopping and changing of government construction contracts".

A string of conditions is expected to apply to the cases where the competition requirement is dropped. The proposals will not involve cases covered by European Union rules requiring competition. Mr Dorrell's speech comes a week after a Labour paper on private financing for infrastructure projects and he is expected to argue that there is cross-party consensus on the benefits of private finance.

Heseltine raps legal advice on Iraq

By Jimmy Burns

The opposition Labour party yesterday called for the resignation of Sir Nicholas Lyell, Britain's attorney-general, after Mr Michael Heseltine, the trade and industry secretary, publicly questioned the legal advice given to ministers in the Matrix Churchill case.

In evidence to the Scott exports-to-Iraq inquiry, Mr Heseltine said that he had been offered contradictory advice by Sir Nicholas on whether he should sign public interest immunity (PII) certificates preventing disclosure of Whitehall documents.

Last night Sir Nicholas said his advice on PII "has remained consistent". He is planning to give evidence to the Scott inquiry in three weeks time.

Earlier Mr Heseltine told the Scott inquiry that he had signed a PII certificate extremely reluctantly, only after being advised by Sir Nicholas that it was his duty to do so. He had also been reassured that his concerns would be conveyed to the judge.

But following the collapse of the Matrix Churchill trial, Mr Heseltine received further advice from Sir Nicholas that he was not duty-bound to sign a PII in cases where revealing documents "might be essential to ensure a fair trial".

Mr Heseltine said he found the apparent contradiction "incredible" given the strong reservations he had about not making documents available to the defence in the Matrix Churchill case.

During the Matrix Churchill trial, counsel for the prosecution, Mr Alan Moses QC, made no reference to Mr Heseltine's worries and argued that the documents were not relevant to the defence.

Mr Heseltine said he was in principle in favour of the need for confidentiality to preserve the efficient working relationship between officials and ministers and also to protect the intelligence services.

But he had refused to sign a PII certificate in the Matrix Churchill case after a close examination of the documents involved. The documents showed links between the intelligence services and Matrix Churchill executives, and official approval of the export to Iraq of machine tools known to be of military use. The prosecution said the businessmen had lied to the government, and that the documents were not relevant to the defence even though they showed the executives exporting defence-related equipment with full government knowledge.

Mr Heseltine said: "It became apparent to me that if these series of events were known at any stage, I would have to become engaged in a process of non-communication. This I was not prepared to do." He signed the PII certificate only after insisting that it was phrased in such a way as to protect him from any future allegation of a cover-up.

Mr Robin Cook, Labour shadow trade and industry secretary, said last night: "It is hard to see how the attorney-general can now survive. His role appears to have been to protect the government rather than the course of justice."



Michael Heseltine arrives to give evidence to the Scott exports-to-Iraq inquiry yesterday. (Picture: Trevor Humphries)

Invitation Of Proposals For Development And Operation Of A Satellite Communications System For Pakistan

1. Government of Pakistan invites interested parties, singly or in consortium, both of Pakistan and foreign origin, to design, procure, develop, launch, manage, operate and market a communication satellite system including a back-up satellite, in the private sector for Pakistan with no financial obligation to the Government of Pakistan. The bidder will carry out its own financial and technical feasibility.
2. The Government will make available allocated orbital slot(s) at 38° E and/or 41° E for a specified period for the location of an operational and back-up satellite. The Government of Pakistan, however, shall reserve the right to use these orbital slots for co-location of its own satellite as and when required. The right to use the slot(s) by the bidder will be for a period of 15 years after which it may be considered for renewal on mutually agreed terms and conditions.
3. The successful bidder shall directly offer for hire or sale space segment capacity (Satellite transponders) to authorized entities in Pakistan or elsewhere for Television and Radio (networking and broadcasting), Telephone, Telefax and Data Transmission Services etc. The sale/lease of Satellite transponders to foreign entities shall be subject to the standard regulatory provisions of the Government of Pakistan.
4. The bidder shall establish the ground control facility including the tracking, telemetry and telecommand (TT&C) station in Pakistan for controlling the satellite(s) from Pakistan.
5. The bidder shall be obliged to deploy the satellite system on the basis of sharing of technology and know-how with the designated local entity/entities and assist in their manpower development. The bidder shall be required to:
 - (a) Provide participation of Pakistani personnel in the satellite integration, testing, launch readiness and operations.
 - (b) Maximize Pakistani participation in the development, installation and maintenance of software for:

- i) Satellite operations and control
- ii) Network monitoring and control
- (c) associate Pakistani entities in construction, installation, testing and commissioning of TT&C and satellite earth stations.
- (d) preferably, locally produce in Pakistan in collaboration or under license all possible subsystems, for which detailed working plan will be submitted by the bidder.

6. The bidder shall be required to pay royalty and license fee to the Government of Pakistan for operating the system. The bid amount in United States Dollars together with mode of payment in this respect shall be indicated by the bidder.
7. Project completion period and implementation schedule shall be submitted by the bidder.
8. The bidder shall provide details of previous experience in development, implementation, operation and management of a satellite communication system.
9. The bidder shall provide evidence of financial soundness for undertaking a project of this size.
10. The successful bidder shall incorporate a company in Pakistan which will own and operate the satellite communication system.
11. For any clarifications and information the prospective bidders may contact the undersigned.
12. Sealed bids should be submitted by 10th April, 1994.

Joint Secretary-II
Government of Pakistan
Ministry of Communications
Block 'D', Pak Sect.
Islamabad.
Tel: 823738 Fax: 825454



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CAN EUROPE

COMPETE?

Service industries

Animal spirits on too tight a leash

When Europeans discuss industrial performance, most of the talk is about manufacturing and little about services. Yet as the challenge of economic regeneration grows more pressing, services' contribution and potential look set to move sharply up the agenda.

The sector is already Europe's largest source of output and employment - and its importance is increasing. In west Germany, Europe's leading manufacturing economy, the number of services jobs rose 25 per cent from 1980 to 1992, while totals in other sectors stagnated or declined.

The outlook is for a continuing fall in factory jobs and a squeeze on public sector payrolls throughout Europe, leaving services as one of few areas where large-scale job creation still seems possible.

Optimists point to the US, where services employment has grown by 23m people since 1980 - double the rise in the EU - and to the growth of Britain's service economy. Though the quality of jobs created is disputed, these examples are cited as arguments for relaxing continental Europe's rigid labour laws.

But the story does not end there. The search for new jobs coincides awkwardly with structural upheavals in services businesses such as telecommunications, the media, financial services and retailing.

These businesses ought to be at the heart of wealth creation, as Europe upgrades from declining traditional industries to newer, technology-based activities involving higher skills and greater value-added. But, in many, pressures to improve efficiency are likely in the short term to lead to fewer jobs, not more.

A report last month for the European Commission found airlines' operating costs were 45 per cent higher in Europe

than in the US, largely because of poorer labour productivity. A McKinsey study in 1992 found similar transatlantic productivity differences in telecommunications and banking.

More recently, McKinsey found the efficiency of British retailers, supposedly among Europe's highest, trailed far behind US chains. It concluded that, if UK supermarkets had to charge US prices, they would plunge into loss.

While most service businesses were labour-intensive and sheltered by national barriers, such discrepancies mattered little. But the discrepancies are becoming unsustainable as cross-border competition and labour-saving technologies compel companies to raise productivity.

The pace is being forced by privatisation, which is challenging the over-staffing, bureaucracy and obsolete practices encouraged by a tradition of state ownership in sectors such as telecommunications, airlines and banking. To judge by job cuts by privatised UK companies, the scope for labour-shedding across Europe in the next few years is huge.

If services are to generate economically rewarding additional jobs, tackling rigid labour laws will not be enough. Much will also depend on Europe's ability to maximise market opportunities and stimulate service-based businesses with the potential to grow fast and profitably.

On this score, services in Europe are bound by two constraints which impose more heavily than on manufacturing. One is domination of important markets by national

monopolies. The other is a more complex - and often more restrictive - panoply of regulatory control.

The impact of the EU's single market programme on these obstacles has been uneven. Progress in dismantling barriers and encouraging cross-border competition has been reasonably rapid in a range of financial, professional and business services and road transport, but more halting in classic monopoly industries, such as telecommunications, energy supply and air transport. Nor does the programme tackle some inhibiting national regulations, such as Germany's tight curbs on shopping hours.

But it is debatable how far fragmentation of Europe's services markets has, in practice, obstructed their development. Though many barriers to market entry have been real, others seem to owe much to participants' attitudes.

Among the most persuasive evidence is trans-European expansion by US services producers. While Europe's broadcasters and film makers dabble with collaboration, Hollywood entertainment dominates its screens. The US-owned MTV music channel, now beamed Europe-wide, has pioneered an entirely new market.

US telecommunications and cable operators have been more aggressive than most local counterparts in establishing footholds in Europe, while the running in "multi-media" services, such as home shopping, is mostly by US firms. Most packaged software used

on personal computers in Europe is of US origin, while Japanese groups dominate electronic video games.

Chains such as Toys R Us and Computerland have revolutionised sectors of European retailing, while McDonald's is now France's biggest restaurant and has earmarked western Europe as its prime growth market in the 1990s.

US companies obviously benefit from scale economies from a large and homogenous home market. But, in most cases, they also succeed in Europe by offering distinctive products, backed by effective marketing and distribution.

European services companies such as Ikea or Benetton in retailing, which have made an impact in North America by transplanting a new idea, are more rare. More often the preferred route is to buy market share by investing in established businesses.

Though this approach is supposed to reduce risk, the results have been mixed. Grand Metropolitan has revitalised Burger King, but Bass is still struggling to turn around Holiday Inn. Marks & Spencer now admits it paid too much for Brooks Brothers, the US clothing chain, while several European grocery groups which bought into US supermarkets have been troubled by the experience.

Of course, US service companies are far from infallible, as the Eurodisney fiasco demonstrates. But, at their best, they often seem more closely attuned than European businesses to the mass market and more confident about exporting innovations.

That suggests that, if Europe's services industries are to prosper, riding markets of artificial barriers and excessive regulation is only half the battle. The bigger challenge may be to unleash the animal spirits needed to exploit them fully against steadily stiffer international competition.

Services importance grows worldwide as job creation outstrips manufacturing...



...but patterns in Europe vary by country...

Percentage	Belgium	Germany	France	Italy	Spain	UK	EU
Transport	12.0	14.7	8.9	10.5	8.4	7.2	7.9
Wholesale/retail	10.6	11.7	6.3	10.6	10.7	12.2	10.5
Banking/insurance	3.5	4.1	3.0	5.2	3.1	3.2	3.5
Telecommunications	3.3	4.2	3.1	3.4	3.0	3.2	3.5
Other services	10.6	11.7	6.3	10.6	10.7	12.2	10.5

...while retailing becomes more international

Percentage	Belgium	Germany	France	Italy	Spain	UK	EU
Transport	12.0	14.7	8.9	10.5	8.4	7.2	7.9
Wholesale/retail	10.6	11.7	6.3	10.6	10.7	12.2	10.5
Banking/insurance	3.5	4.1	3.0	5.2	3.1	3.2	3.5
Telecommunications	3.3	4.2	3.1	3.4	3.0	3.2	3.5
Other services	10.6	11.7	6.3	10.6	10.7	12.2	10.5

A growing taste for shopping around

By Neil Buckley

Single market enthusiasts have long maintained that retailing has a special role to play in cementing the unity of the new Europe - and not just because of the sector's role as distributor of manufactured goods. It employs about 17 per cent of the EU's workforce, and retail sales account for between 16.6 per cent of gross domestic product (in Belgium) and 35 per cent of GDP (in Greece).

Yet retailing remains one of the least international industries, with many leading retailers operating largely within their home markets. There are fears that Europe's failure to

develop powerful, truly international chains means it will soon be overrun by new entrants from the US.

The fragmented nature of the European market results partly from cultural, language and taste differences. But restrictive legislation has also hindered domestic and cross-border expansion.

Laws such as France's *Loi Royer*, Belgium's *Loi Cadens*, and Germany's *Benettongesetz* set minimum limits on developments above certain sizes. In the Netherlands, the number of stores in any area is limited according to population size. Those restrictions have not been removed by the single market and, in some cases, differences are widening.

But it would be wrong to suggest that cross-border

expansion in Europe is not taking place. Between early 1991 and early 1993, the Oxford Institute of Retail Management found European retailers had made 530 international moves, nearly three-quarters of them expansions into other European countries. But restrictive legislation and market saturation at home have also spurred retailers to look at north America.

France's Promodès, Germany's Aldi and Tengelmann, Belgium's Delhaize, and Ahlold of the Netherlands all make at least 20 per cent of their turnover outside their home markets. But chains from across the Atlantic are also eyeing opportunities provided by a market of 330m west European consumers - and are well-equipped to exploit them.

Unimpeded by national boundaries, planning restrictions, high land costs, and wars at home, some US retailers have been building up their operations for a century or more.

The result is the world's largest, most vibrant retail market. At \$2,000bn in 1992, it was larger than the GDP of united Germany. Their size gives US retailers enormous buying power, while the competitiveness of the market, plus the fact that experimental stores can be launched easily and cheaply, has made the US the crucible of retailing innovation. The US invented mail order, the self-service supermarket and TV shopping.

US retailing also has a highly-developed discount sector, and has pioneered discount for-

malists such as warehouse clubs, "category killers" such as Toys R Us and factory shop malls, which could pose a significant threat to higher-margin European, and especially UK, retailers. A recent report by retail research group Corporate Intelligence suggested more than 50 US retail groups were queuing up to enter Europe, including the world's largest, Wal-Mart.

There is, moreover, an important difference between US and European retail expansion overseas. US retailers tend to export their own format and grow organically. Groups such as Toys R Us and restaurant chain McDonald's have brought innovative formulas to Europe and transformed every market they have entered.

One reason may be that family ownership of retailers

makes it difficult to buy into the French, German and Dutch markets. But US retailers may in any case be more adept at exploiting gaps in the market.

While some European retailers - such as Ikea, the Swedish furniture superstore chain, Carrefour, the French food retailer, and smaller formats, such as Benetton, Body Shop and Laura Ashley - have extensive overseas networks of their own stores, most European retailers have preferred to expand abroad through acquisitions. But they have not always proved adept at transferring management skills to acquisitions, as shown by the roll call of European companies, such as Marks & Marks and Spencer, Delhaize and Dixons, that have had trouble in the US in recent years.

Cleaning up continental competitors

With much of its work done in the hours of darkness, the cleaning business occupies a twilight zone of the service industry. Yet providing sparkling environments for offices, hospitals and industrial premises can offer Europe-wide growth opportunities comparable to those in much higher-profile sectors.

ISS, the Danish cleaning group which is the world's leader in this field, has built up a European network of high-quality cleaners. Mr Waldemar Schmidt, the 53-year-old managing director of ISS's European operations, responsible for turnover of £300m a year, says: "If other people can have pan-European businesses, we asked ourselves, 'Why shouldn't this apply to cleaning?'"

Cleaning is traditionally a fragmented, regional business, given scant attention by customers. By offering high standards and encouraging companies to take a cost-conscious look at their cleaning bills, ISS claims it can lower overheads and promote efficiency. ISS prides itself on higher wages and better training than most competitors. "Cleaning is generally thought of as a job nobody wants to do," says Mr Theo Dillissen, managing director of Belgian operations. "We offer incentives and training courses so people can upgrade. Our workforce is our product. We're helping our customers to become competitive."

ISS's customers range from multinationals, such as IBM, Philips and Monsanto, to the European Commission, Vienna and Geneva airports, the British Rail subsidiary running the north London maintenance depot for Channel tunnel trains.

Cleaning budgets can be surprisingly large. The annual cleaning costs of Asea Brown Boveri, the international engineering group, exceed \$75m. "If you have an in-house cleaning team, it's not part of the core business," says Mr Schmidt. The key to better productivity,

he says, is to bring in quality-conscious outsiders, sometimes combining cleaning with other duties.

Under a recent contract with Slovenian railways, ISS is to have 300 cleaners on the country's trains and stations, down from 600 previously. In an annual £2m contract with British Airways, 130 ISS cleaners work in three shifts at Heathrow's Terminal One. They are encouraged not merely to sweep floors but also to give directions to travellers.

ISS is developing additional services for its hospital customers, such as catering, portering, technical maintenance and equipment supply.

With 130,000 employees in 20 countries, ISS is present in every main European country apart from France and Italy. Its share of the cleaning market is between 20 and 40 per cent in Scandinavia (where it is the market leader), 6 per cent in the UK (where it is No 3) and 2 per cent in Germany (No 8).

Mr Schmidt says expansion is customer-driven. He estimates annual growth rates of the "contracted out" cleaning market at 5 per cent in Austria, Switzerland, Germany and France, 7 per cent in the UK, and 10 per cent in Belgium and Greece. If ISS is right, more and more companies will be coming round to the view that cleanliness and competitiveness belong together.

Quest for a strategy to match Hollywood

By Raymond Snoddy

Those struggling to create a strong European audio-visual industry face an uncomfortable fact: across Europe, audiences still often prefer the entertainment offered by Hollywood.

Even in France, where paranoias about US "cultural imperialism" seems rampant, consumers continue to vote with their feet at the box office. Although the most popular film in France last year was *Les Visiteurs*, a satire, it was one of only two French films to reach the top 10. In its first 11 weeks, Steven Spielberg's *Jurassic Park* sold 1.53m tickets in the Paris region alone.

The US industry's dominance is based on the economies that flow from its scale of production and the fact that costs can be recouped in the domestic market before being exported. By comparison, Europe is fragmented by language, tradition and differing attitudes to commercial broadcasting. Many European countries have only recently developed commercial channels

alongside older public service broadcasters. In the past decade, for instance, the number of commercial television channels in Europe has risen from only four to more than 60 - though the number is likely to grow with the launch of channels financed by advertising in eastern Europe.

In some major European markets, commercial production skills are still not fully developed. Mr Manfred Lahnstein, president of the electronic media division of Bertelsmann, the German media group, says the German television industry still finds the production disciplines needed to turn out 30 minutes of a soap opera every day difficult. "The advantage of the Anglo-Saxon world is that they had private television so much earlier than the continental Europeans," he says.

Even so, German television has been changed profoundly by private broadcasters such as RTL, in which Bertelsmann has a 33 per cent stake. After 10 years in existence, RTL has finally taken a lead in the ratings over both ARD and ZDF, the main German public networks. Yet many of the big commercial broadcasters such

as TF1, France's privatised first channel, CIT of Luxembourg, and Silvio Berlusconi's Fininvest remain net importers of programmes from the US.

Moreover, individual markets are at different stages of development in the new media. Cable and satellite are well-established in the UK and Germany but hardly at all in Italy. The pan-European market is still in its infancy, although a growing number of satellite channels are broadcasting to a continental market.

Varying strategies are being pursued by European governments and media groups to compete more effectively with the Americans. Several governments, such as France and the UK, are moving to reduce barriers preventing broadcasting organisations becoming larger. It is, however, hard to see this process producing more European media groups on a world scale. There have been no television or film equivalents so far of the merger of Reed International and Elsevier in the publishing and information business.

Additional reporting by Quentin Peel in Bonn, Alice Roushworth in Paris and Robert Graham in Rome.

Regional expertise in niche markets

By Hugo Dixon

Business services such as telecommunications, air transport and accountancy are not only large sectors in their own right: their performance also strongly influences the success of the economy as a whole.

Unfortunately, Europe's performance in many business services leaves much to be desired. Compared to the US, productivity is often poor, markets are shrivelled and services are expensive.

A services study by McKinsey, the management consultants, in 1992 concluded: "US industries generally continue to show a higher level of productivity than their European counterparts." As a result, Europe does not have as large a presence as the US in what are often high value-added businesses, and other industries reliant on business services suffer from high costs and poor quality.

But the picture is not all gloom. Europe, notably the UK, does quite well in accountancy, law and management

consultancy. Britain's leading law firms are the main competitors for US firms in the growing market for international legal services. The "Big Six" global accountancy firms still have strong UK roots.

An important explanation is that London's highly developed financial markets have proved demanding customers for accountants and international lawyers. Not only has this meant a high standard has been required of them but it has also enabled them to win business abroad by hanging on to financiers' confidence. Europe usually does well in business services needing a high degree of customisation as opposed to mass-market solutions. A history of fragmentation seems to have given the region's businessmen an expertise in niche markets.

For example, Europe's computer services industry performs well in designing "bespoke" software - tailor-made solutions for individual companies. By contrast, the market for "packaged software" is dominated by the US. It supplied 78 per cent of the world market in 1991, with European production accounting for only 16 per cent.

Decision and time level

Decision annulled and fine reduced



The Court of First Instance has again shown its teeth by annulling part of a European Commission decision and substantially reducing a fine imposed on one of the applicants.

The Commission decision concerned the Helsinki agreement - an agreement between certain French financial institutions and the Eurocheque organisation - which provided that traders affiliated to the Carte Bleue and/or Eurocard networks would accept foreign Eurocheques on the same terms imposed for payments by Carte Bleue and/or Eurocard cards.

Under the agreement, the French financial institutions agreed to charge traders which were affiliated to the relevant networks a commission for purchases paid for by Eurocheque. The level of commission would be no greater than that applicable to purchases paid for by CB, Visa or Eurocard/Mastercard.

The Commission said the agreement infringed the EC competition rules and imposed fines of Ecu1m and Ecu500k on the Eurocheque organisation and on the French financial institutions respectively. The parties sought annulment of the decision or annulment of the fines.

The Eurocheque organisation's case turned on a procedural issue relating to the rights of defence. Just before the Commission sent out its statement of objections, setting out its preliminary findings on the Helsinki agreement, the French financial institutions group notified the agreement to the Commission.

In the light of this notification, the Commission addressed a supplementary statement of objections to the French financial institutions group, but not to the Eurocheque organisation on the grounds that Eurocheque had not notified the agreement. A copy of the document was sent to Eurocheque for information.

Eurocheque claimed the failure to address the supplementary statement of objections to it breached its rights of defence, in that certain new objections were raised in the supplementary document which it had not been able to answer.

The Court said that, under the procedural rules governing such matters, it was the Commission's duty to address statements of objections to all interested parties, and that it could only retain in its final decisions those objections which the parties had had an opportunity to address.

The Court said the supplementary statement of objections had modified the intrinsic nature of the objections raised against Eurocheque. It also said the Commission should not send to one party a copy of a statement of objections addressed to another.

As a result of its findings, the Court annulled that part of the Commission's decision relating to Eurocheque, including the fine.

The French financial institutions raised several points. The first was that the Commission decision had failed to establish the existence of a price-fixing agreement. The Commission had taken the position in its decision that, not only did the Helsinki agreement set out rules for the charging of commission on certain Eurocheque transactions, but that it also regulated the amount of such charges. The Commission based this latter conclusion on certain provisions in the Helsinki agreement.

But the Court said, although the Commission had been right to find that there had been an agreement to charge commission on certain Eurocheque transactions, it had been wrong to find that there had been an agreement on the amount of commission.

The Court said the different provisions of the Helsinki agreement, which had been read together by the Commission in support of its finding in fact related to two different types of transaction.

Given that the basis on which the Commission reached its finding was wrong, the finding itself was invalid. Even though the French group's other arguments were unsuccessful, the fine should be reduced accordingly. The Court said the fine should be cut from Ecu1m to Ecu500k.

Joined Cases T-39/92 and 40/92: *Groupement des cartes bancaires "CB" and Europay International SA (formerly Eurocheque International) v Commission*, CFI 1021, February 23 1994.

BRICK COURT CHAMBERS, BRUSSELS

The 1994 Finance Bill contains what accountants Coopers & Lybrand calls "the most wide-ranging reforms of personal tax and compliance this century". The introduction of self-assessment for the self-employed and the changeover from taxation on a preceding-year basis to a current-year basis from the 1997-98 tax year, with a transitional year in 1996-97, will affect 8m people in the UK.

Among those most affected will be partnerships. For partnerships in existence on April 5 this year, taxable profits arising in any year of assessment after April 5 1997 will be calculated as though the firm were an individual, and then divided among the partners in the same way actual profits are shared in the period in which they arise.

Partners will be required to include their share of the taxable profits in their own personal tax returns for 1997-98 and calculate or "self-assess" the tax due on their total income and capital gains. Each partner will be responsible for payment of his or her own tax. Tax returns must be filed with the Inland Revenue by January 31 in the year following the year of assessment.

Payments on account - tax paid before the final assessment - will be due in two instalments, the first on January 31 in the year of assessment and the second on July 31. Interim payments will normally be based on the preceding year's liability. Final balancing payments, like the tax return, must be made by January 31 in the year following assessment.

Thus a firm with an accounting period ending on June 30 1993 will pay tax in the financial year 1993-94 (the tax year in which its accounting period ends), and partners will have to make interim payments on January 31 and July 31 1993 and file completed returns and make balancing payments by January 31 2000.

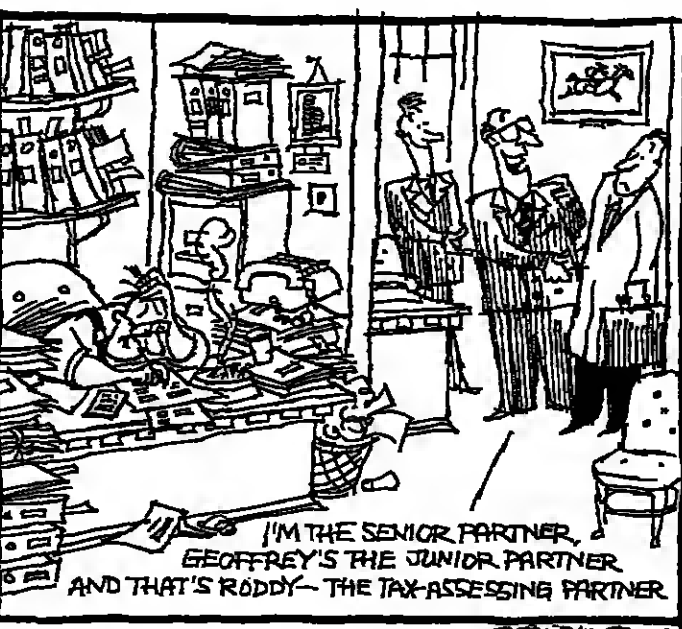
To encourage compliance and prompt payment, tax paid 28 days late, ie on February 28, will attract a 5 per cent surcharge and, if it is still outstanding six months later, another 5 per cent.

Although the new regime treats partners as sole traders, making each of them responsible for his or her share of the profits, partnerships will still submit returns of adjusted profits and the allocation of them among the partners to the Revenue. Negotiations on the profits will also still be handled centrally with the partnership.

To encourage compliance, late partnership returns will also attract an automatic penalty of £100 per partner and a similar penalty if still outstanding six months later. There are similar penalties for

A taxing task for partners

Robert Rice explains how to cope with the move to self-assessment



late personal returns.

For partnerships in existence on April 5 this year, 1996-97 will be a transitional year. Under the transitional provisions, tax paid in 1996-97 will be a 12 months' average of the tax payable on the profits arising in the two years to April 5 1996.

Thus for a partnership with a year end of April 30, the relevant accounts on which tax will be assessed for the transitional year 1996-97 will be for the periods May 1 1994 to April 30 1995, and May 1 1995 to April 30 1996. Tax will be payable on 12/24ths, or half, of those results.

According to Denise Catterall, a tax partner of Coopers & Lybrand, this creates a significant, one-off tax-planning opportunity for partnerships.

If a firm is anticipating any large or unusual items of income, it should try to ensure payment is made during the transitional assessment period, as it will effectively be halved for tax-averaging purposes. Equally, large one-off items of expenditure, such as refurbishment or redundancy costs, should be kept out of the assessment period, because a firm will effectively get tax relief on the interest will be available to partners as individuals.

should be planning now to take advantage of the transitional regime, either bringing forward exceptional items of expenditure or delaying receipt of exceptional income, she says.

But there is one caveat. The Revenue has said it will introduce a narrowly targeted anti-avoidance provision, details of which may not emerge until next year, so caution is required.

Ms Catterall believes that, provided firms stick to what can be classified as ordinary commercial decisions, the Revenue will find it hard to object. The trick, she says, will be to avoid anything that is too obviously designed to cash in on the transitional regime.

The same is also true of partnership borrowings. If a firm has partnership borrowings and is likely to pay an unusual amount of loan interest in the transitional period, it will effectively only receive tax relief on half. If, on the other hand, the borrowings are rearranged so that they are expressed as loans to each partner individually, then full tax relief on the interest will be available to partners as individuals.

Again, the Revenue may target this as an avoidance measure, but Ms Catterall believes it should be possible for firms to argue a commercial justification for rearranging their finances.

The start of the transitional period is not far off, so it is vital that partnerships clear their arrears with the Revenue if they are to avoid problems in finalising their first partnership and personal returns under the new system. For firms with a financial year ending March 31, the problem is acute: once the new regime is in place, they will only have until the following January 31 to file their returns and pay their tax.

Ten months is a short time for even the most efficient partnership to sort out its tax affairs, if a firm is years behind in its tax affairs, as many partnerships are, any tax return filed within such a tight timescale will inevitably contain estimates.

With a period of only 12 months after the statutory filing in which amendments can be made, partnerships may lose out if they do not take steps quickly to ensure their tax affairs are up-to-date, to eliminate excessive reliance on estimated figures.

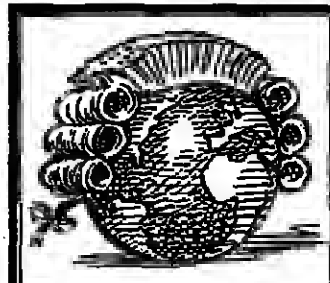
Within certain limits, partnerships will be able to change their financial year end, and the difficulty of filing returns within 10 months may be one reason for moving the year end to a date after April 5. An April 30 year end would give the firm considerably longer to file returns and statements of profits. But against that must be balanced the effect of paying tax on "overlap profits" - profits taxed in successive years for firms with year ends straddling the fiscal year - and, in particular, the impact of this on retiring and new partners.

Whatever the effect of the new rules on individual partnerships, the change to a current-year basis of taxation will accelerate the payment of tax, making tax provision more difficult - particularly in times of falling profits.

Whereas a tax bill amassed and waiting to be paid could be used as working capital under the old regime, under the new rules that "fund" will no longer be available, says Ms Catterall.

She believes most partnerships will continue to provide for tax, but the acceleration of the payment of tax may mean they will have to find other means of raising working capital. Partners may be asked to contribute more, or the deficit may be made up by billing earlier and chasing up payments.

LEGAL BRIEFS



Battle over drugs patent set for House of Lords

The battle between two pharmaceutical companies over whether metabolites produced by the body in response to drugs can be patented is set to go to the House of Lords. This follows the UK Appeal Court's rejection of the claim by Merrell Dow Pharmaceuticals, of the US, of an infringement of its patent in the metabolite of terfenadine, an anti-histamine.

Merrell's original patent in terfenadine had expired, but the company claimed that, by selling tablets containing the drug, Norton Healthcare of the UK was providing the means for infringement of its subsequent patent in the terfenadine metabolite, produced when terfenadine is taken. The Court said that, if Merrell's argument was accepted, then "if they discovered that inside some organ of the human body aspirin invariably produces a hitherto unsuspected compound, they could patent the compound and thereby preclude anybody selling aspirin".

The Court said Merrell's patent covering the terfenadine metabolite should be revoked or amended so it did not apply to the metabolite when produced by the human body. The case is being watched by producers of generic drugs, which fear big companies will use similar measures to prevent the sale of generic products.

Courtly cantatas

UK Lord Chief Justice, Lord Taylor, created a stir last year by appearing on BBC Television's flagship current affairs talk show, *Question Time*. But even he cannot match the efforts of two US counterparts, Supreme Court Justices Ruth Bader Ginsburg and Antonin Scalia, who last month donned wigs and gowns of a more theatrical kind to appear in the Washington Opera's opening performance of Richard Strauss's *Ariadne auf Naxos*.

PEOPLE

'Thinker rather than doer' needed at Fenner

Fenner, the Hull-based industrial group, is hoping to appoint a chief executive by the end of April, filling the gap left by Julian Bigden, who returned to the US in December after less than a year as managing director.

The appointment of a chief executive will be an important step for Fenner after a year of senior management changes. Bigden had been appointed managing director in February last year by Peter Barker, the former executive chairman, and replaced Tom Brown who resigned unexpectedly.

But in May last year Barker

himself announced his retirement. Colin Cooke was appointed non-executive chairman in June and Bigden has now returned to his previous job running Fenner's highly successful US polymers operation - a responsibility which he had retained when he moved to the UK.

His departure was said by Cooke to be "very amicable", although it is understood that Cooke was much happier with Bigden as a business manager than as a managing director.

Cooke, who is also executive chairman at Triplex Lloyd, says Fenner has three candi-

dates in mind for the job of chief executive.

He is looking for a "thinker rather than a doer" as chief executive to provide strategic leadership without interfering with the three main divisional heads as they try to exploit growth opportunities.

Fenner is now being run on a day-to-day basis by Mark Abrahams, finance director, and Michael Howell, a director of Arlington Capital Management who joined Fenner's board in November.

A big challenge for the new chief executive will be to resolve the future of Fenner's

largest business, power transmission, which lost £12m in the year ended September 30 and was largely responsible for a fall in overall pre-tax profits from £11.3m to £9.8m.

Talks on a possible sale of the division broke down in December, and Fenner is now concentrating on improving the unit's profitability.

This would make it more attractive to another purchaser. However, it remains a relatively low-margin operation and lacks the growth potential of Fenner's other specialist engineering businesses.

Avon Rubber plumps for Willcox



Tony Mitchell, who worked his way through the ranks at Avon Rubber from clerk to chief executive, is to head out this December at the age of 60 after more than 40 years at the tyre and motor components company.

He will be replaced by the head of Avon's industrial polymers division, Stephen Willcox, 47. The succession was

decided after months of deliberation by a board torn between the Willcox and the finance director, John Harper.

In the end, Willcox, who joined Avon as a graduate trainee in 1968 and only left briefly for a stint at Miles Laboratories, won the race by a nose. While the appointment was welcomed in the City, some suggest the new regime would face greater pressure to perform. "We do not mind who is running it as long as he does better than has been done in the past," says one analyst. "There has been a regular deterioration of profits growth... and as a result a degree of impatience about the performance."

Mitchard, whose outgoing style contrasts sharply with the quieter approach of Willcox, is widely credited with having transformed Avon from a sleepy UK industrial group. However, the group's purchase of Cadillac Rubber and Plastics in the US in 1988 took longer than expected to bring benefits, partly because of recession but because of dependence on a few automobile manufacturers.



Peter Duffy (above) has been appointed managing director of BP Energy, the British Petroleum division which operates industrial power plants on behalf of clients.

Duffy, an industrial chemist by training, has spent the past 13 years with BP. He was most recently responsible for the industrial and public sector fuels business.

BP's energy division has grown rapidly in recent years, with turnover climbing from

£7m in 1980 to £25m last year. The industry has been boosted by the trend among industrial companies of contracting out those activities not seen as critical to their core operations.

David Vernon-Smith, formerly head of human resources, has been appointed to the board as director, corporate affairs, at MANWEB.

Chris Etherington is promoted to director of management services at UNICHEM and Tony Foreman to director of sales and marketing of the wholesaling division; Bill Hart, who will retire later this year, becomes commercial director.

Geoffrey Faulkner has been appointed md of P&S Filtration, part of SCAPA GROUP.

Dale Schumaker, chief executive of Appleton Papers, the US subsidiary, has been appointed to the board of ARJO WIGGINS APPLETON.

Barnett moves to Y&R

Although the vaunted marriage between advertising agencies Gold Greenless Trot and Young & Rubicam's London outpost has collapsed at the altar, Bernard Barnett has decided to join the latter.

Barnett, elder statesman of London's advertising trade press, is relinquishing his job at Campaign magazine and joining Y&R in a capacity yet to be determined.

Now 51, Barnett has done three stints at Campaign. Production editor from 1968-72, editor 1973-84, and editorial director since 1991, he's also that rare bird, a practitioner of

what he preaches: he worked for the Abbott Mead Vickers and Ogilvy & Mather agencies between 1984-91.

But given that London's advertising world is buzzing with gloom and doom about Y&R London - managing director Tim Lindsay and chief executive Jerry Judge jumped ship just before Christmas - why has Barnett selected Y&R for his latest return?

Y&R London "is not in as good shape as it used to be", admits Barnett, but adds "there is an irresistible challenge in rebuilding a great brand."

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TECHNOLOGY

Human drugs are being produced by livestock, says Victoria Griffith

Milking time on transgenic farm

Jonathan MacQuitty, chief executive of GenPharm International, a California-based biotechnology group, bristled with fatherly pride when he announced in January the birth of eight calves at his livestock operation in the Netherlands.

These are not just any calves. They are the first transgenic offspring of Herman, the world's first transgenic bull. Like their father, the calves carry a gene for the production of human lactoferrin, an antibacterial protein normally produced in human milk. By milking the calves to obtain the protein, the company hopes eventually to have an entire farm pumping out lactoferrin for the world market.

"One of the advantages is that you could take your medicine by pouring the milk into your morning bowl of cereal," says MacQuitty. Lactoferrin may protect against bacterial infections of the gastrointestinal tract.

Several biotechnology groups - including GenPharm, Genzyme Transgenics and DNX in the US, and Pharmaceutical Proteins in Scotland - are pushing ahead with plans to produce sophisticated drugs through livestock. Genzyme has a herd of transgenic goats, DNX works with sheep and pigs and Pharmaceutical Proteins with sheep.

Transgenic livestock is created by micro-injecting an artificial gene into a fertilised egg. Essentially, the egg is given extra DNA information. "Assembling the correct pieces of DNA is the difficult part," says MacQuitty.

The egg is then placed inside the female who later bears the calf, lamb or piglet. Once transgenic livestock has been created, the animal is cross-bred with non-transgenic livestock. The hope is that about half the offspring will also be transgenic, although levels are running closer to 40 per cent at most operations.

Companies are looking to genetic farming to cut down on production costs for certain proteins. "We believe the cost savings will be dramatic," says James Geraghty, president of Genzyme Transgenics, a subsidiary of Boston-based Genzyme. "Capital costs would probably be

a tenth of what it costs to build a factory, and the unit cost of production would be half of the cost we see today."

Some of the drugs companies are looking to produce are Factor H, a clotting molecule used to treat haemophiliacs; human haemoglobin, a blood substitute; and human collagen, to treat incontinence.

Producing drugs through livestock may have its limitations. "I think this is only cost effective if you're dealing with proteins you need in large quantities, and with large molecules which are easy to separate out," says John Logan, vice president of research at DNX.

Other companies believe the technique has wider applications. Genzyme is looking to livestock farming to produce drugs that cannot be made in the laboratory.

"It may be the only way to produce membrane-bound proteins such as one we're working on for cystic fibrosis," says Geraghty. DNX is also exploring new options, such as organ production for use in transplant surgery. Because of the severe shortage of human organ donors in the US, organ transplant surgeons are keen to turn to animal organs. But inflammatory proteins of the immune system, known as complement, can destroy the transplanted organ within hours or even minutes.

Complement is normally held in check through inhibitors. To increase the chance of the organs' acceptance, DNX has expressed the human complement inhibitor gene in transgenic pigs. "There's no way to grow an organ in a laboratory," says Logan, "so this is the way to go for organ transplants."

Transgenic farming is still in its early stages. Most products will not even start clinical trials, the first stage on the road to commercial approval, until the end of 1995.

However, there are encouraging signs that the technique will eventually be viable for large-scale drug production. With new generations of transgenic livestock appearing, the genes are seen as increasingly stable. And potential applications for the technique are expanding.

There is a Guinness Book of Records quality about the 777, the world's biggest twin-engine airliner which Boeing, the world's biggest aircraft manufacturer, will roll out for the first time on April 9.

The first 800-400 seat airliners are being assembled outside Seattle in the US in a 1,000-acre site with about 98 acres of buildings under one roof. The aircraft will be the last all-new airliner programme developed this century, at a cost of more than \$4bn (£2.7bn).

The three leading aero-engine manufacturers - Pratt & Whitney and General Electric of the US and Rolls-Royce of the UK - are scrambling to develop the world's most powerful commercial jet engines to power the 777 and future, even larger, derivatives of the new Boeing widebody airliner.

Since launching the 777 programme four years ago, it has again been "bet-the-company time" for Boeing, say senior executives. The development costs and lead times are so significant that an aircraft manufacturer risks the health of the entire company every time it launches a big new programme, they explain.

"It's certainly a gamble, but the 777 is not as big a gamble as our decision to launch the 747 programme 25 years ago," says Philip Condit, Boeing's president. Part of the reason for Boeing's greater confidence this time is the way the company has changed its approach to developing an aircraft.

Boeing describes the 777 as a "market-driven" airliner. In the past, the manufacturer felt it knew what was best for its airline customers. "Market planning for a new airliner was often based on the requirements of a launch customer, combined with some rough expectations about future markets," explains Jeff Peace, chief project engineer of Boeing's 777 division.

"The manufacturer would come up with a general idea for a new aircraft, convince an airline to buy it, then design it pretty much around the capabilities and features described by the launch airline," he adds.

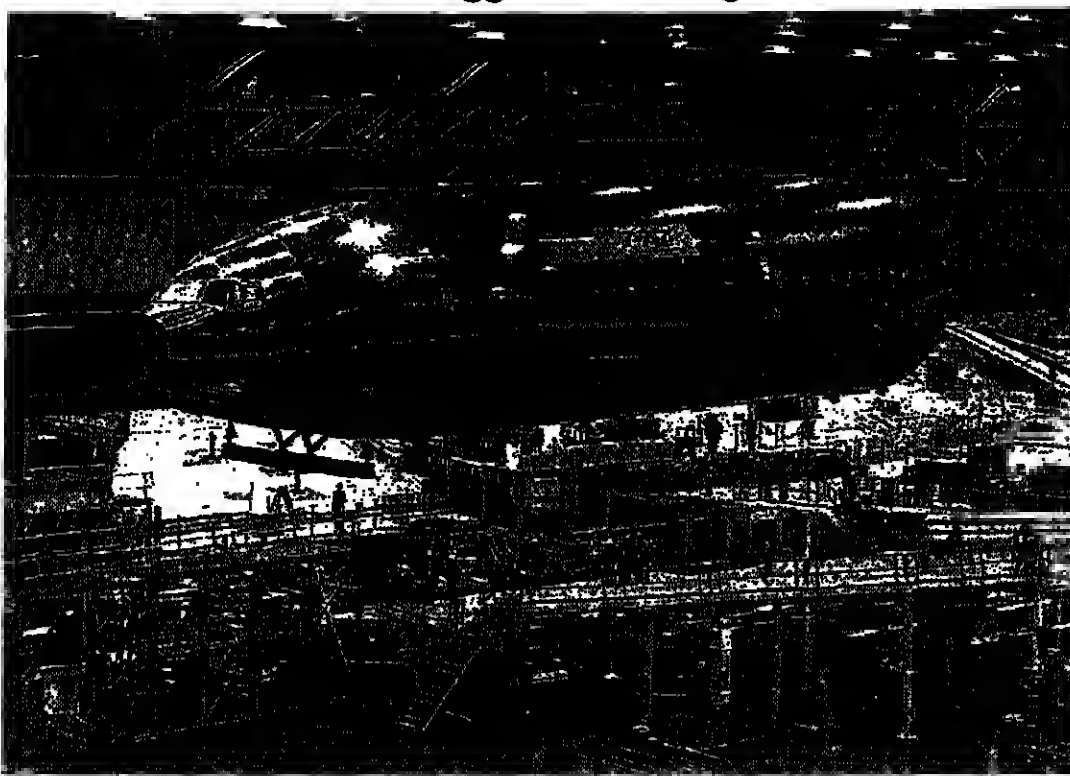
With the 777, Boeing adopted from the start a more open stance towards the outside world, encouraging airlines, suppliers and subcontractors to participate actively in the design and planning of the new airliner.

"Not that we did not listen to our customers in the past, but the biggest lesson we learnt was that we often listened to them late in a programme," says Alan Mulally, the 777's general programme manager. "Now, we are listening to them much earlier."

At all costs, the company wanted to avoid the mistakes made five years ago on the development of the

The century's last take-off

Paul Betts reports on next month's introduction of the world's biggest twin-engine airliner



Boeing describes the 777 as 'market-driven'. Airlines, suppliers and subcontractors participated in its design and planning

747-400, the newest version of its 747 jumbo. After failing to listen properly to its customers, Boeing was forced to delay delivery for several months to initial customers because of teething problems and design changes demanded by airlines.

Boeing's new attitude to customers, subcontractors and suppliers also reflected two important changes in the market. The first was the general slump in the civil aircraft business with airlines forced by heavy losses to cancel or postpone millions of dollars worth of new aircraft orders. The second and perhaps even more important factor was the emergence of Airbus Industrie as Boeing's principal long-term challenger.

The European aircraft manufacturing consortium, which has steadily built market share during the past 20 years by launching advanced new aircraft programmes,

has been making serious inroads into some of Boeing's traditional customers in the US.

With nearly 30 per cent of the western market, Airbus has sought to leapfrog its bigger US rival by

Airbus pre-empted Boeing by launching a new widebody family of aircraft with the A330 twin-engine airliner

introducing new technological concepts to commercial jets including fly-by-wire electronic controls. It also pre-empted Boeing by launching a new widebody family of aircraft with the A330 twin-engine airliner and its sister aircraft, the

four-engine A340, increasingly challenging Boeing's dominance of the large airliner market.

Boeing's response was to go out to the airlines to find out what exactly they wanted for their future fleet requirements. It initially consulted eight (Delta, American and United in the US, British Airways in Europe, Japan Airlines, All Nippon Airways, Cathay Pacific and Qantas in the Asia-Pacific region) to define the 777's configuration and purpose.

It formed specialist task forces to analyse its most important operational aspects, including everything from cargo loading to flight deck layout. It then set up special design-build teams with the 777's three launch customers: BA, All Nippon and United.

BA sent a four-man team to Seattle where they were given access to all Boeing design staff and became

deeply involved in the design process. Boeing introduced a similar working relationship with the engine manufacturers and other suppliers. It also formed 235 design-build teams inside the company to enable employees from all company divisions to work together as well as with airlines and outside suppliers. These teams have been sharing a common database to help them communicate quickly.

Barry Gosnell, the head of BA's engineering activities in Seattle, says the Boeing-BA team has led to more than 100 changes to the basic specification of the aircraft. Changes have also been made to improve the maintainability of the aircraft and to ensure that the airliner is "service ready" from the first day it enters into service with BA in the second half of next year.

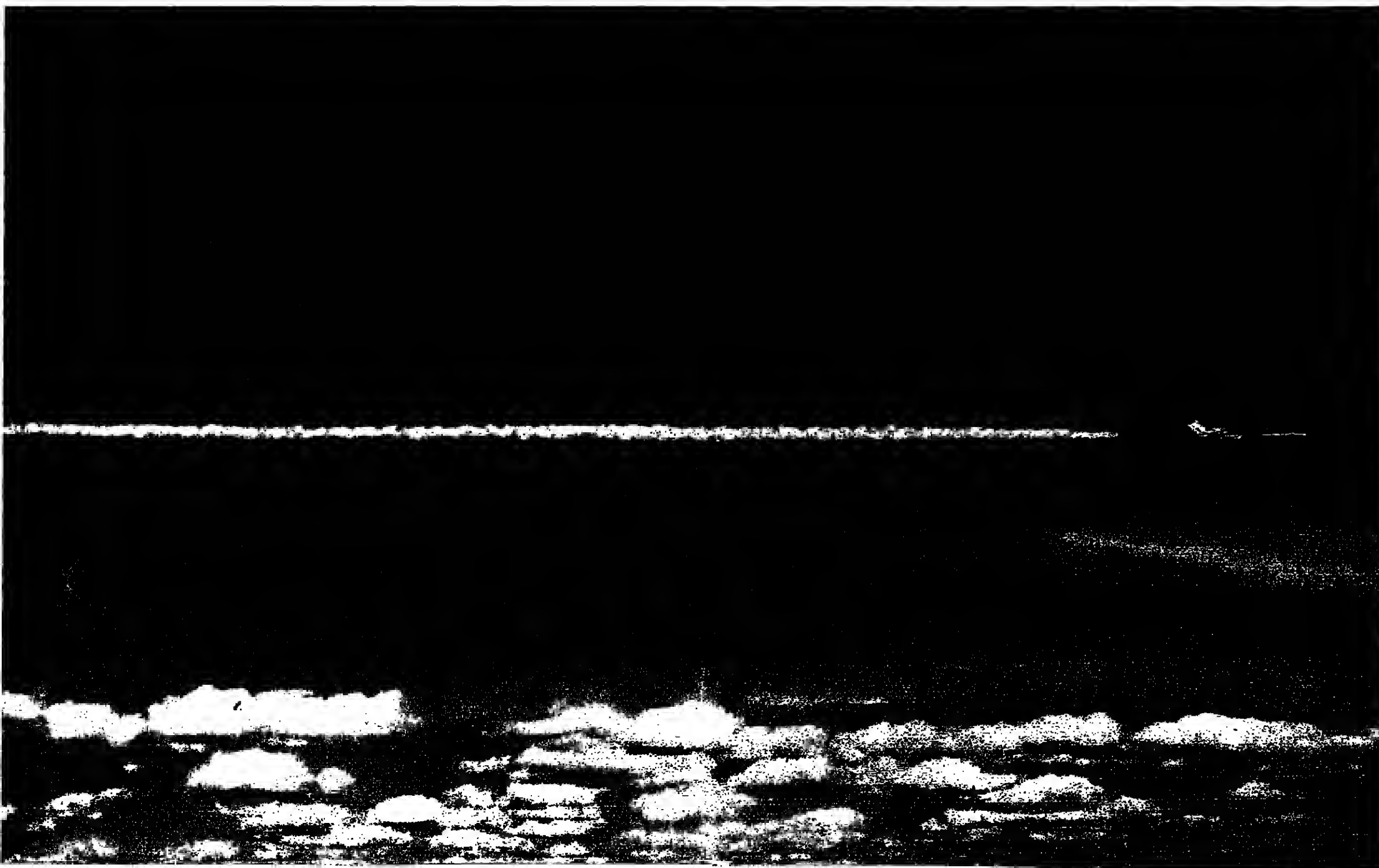
BA says that among the most significant changes it has made was to persuade Boeing to adopt radial tyres, a device to store all the aircraft's loadable software, and a space-saving galley allowing an additional four passenger seats to be fitted to the cabin.

Another benefit of the intensive customer dialogue was the decision to make about 80 different items traditionally offered as optional features on other aircraft as standard equipment on the 777. This included satellite and global positioning systems, increasingly important aircraft safety and navigational tools which are basic to the 777.

Boeing admits that the way it has designed and developed the 777 is tantamount to a cultural and technical revolution for the traditionally "do it alone" manufacturer. In many respects, it is also a return to the past. As Condit puts it: "We are attempting to recapture the team spirit from the company's early days. In a sense, we're looking back to create the future."

Collaboration is now set to intensify on future aircraft programmes. The two biggest challenges for the industry in the next century will be the development of a superjumbo airliner capable of seating 600 to 800 passengers and a second-generation supersonic aircraft to replace Concorde with a longer range and about three times Concorde's 100 passenger seating capacity. On both these longer term projects, Boeing is already involved in joint studies with other leading manufacturers, including the four European Airbus partner companies, and with potential airline customers.

Ultimately, however, the driving force behind Boeing's new, more open attitude to collaboration is to maintain its 60 per cent share of the commercial aircraft market. "We will be focusing more than ever on our customers' requirements because we don't want to be left behind to allow someone else in," Condit says.



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New York Music

Schnittke's broken symphonies

Two new symphonies by Alfred Schnittke, his Sixth and Seventh, were introduced to New York last month in a sudden succession that mirrored, if it slightly exaggerated, his productivity. Since writing them (the Sixth was finished in 1992, the Seventh last July) he has already completed his Eighth Symphony, and his output of the last five years also includes several other big orchestral scores, chamber pieces, and two full-length operas, of which a long-planned *Faust* is scheduled for production next year in Hamburg.

Quite how to interpret this rate of output is one of the Schnittke conundrums. Are we dealing with a Haydn, composing fluently to order, or with a Hugo Wolf, impelled by creative demons? Much has been made of Schnittke's music as reportage on the speed of events in his native Russia. Much has been made, too, of his physical fragility – and indeed he looked sadly aged well beyond his 59 years as he was assisted onto the platform at each of these concerts. But the music is distinguished – perhaps even unaltered – to explain itself. Its very brokenness makes it mute as to causes. What we hear is the wreckage; how it happened is left for us to wonder, if we wish.

Both the new works are broken, wrecked symphonies, but especially the Sixth. It has the usual four movements, with a conventional scale, playing altogether for about half an hour. The contents, though, are weird even by Schnittke's standards. The first movement, for instance, starts and ends with big clusters, but the long interior is thickly scored, and made up of fragments that have no great pretensions: for long periods the stage is held by a few brass instruments in chorales, or by low strings, again often in quasi-liturgical phrases. One remembers that Schnittke's Second and Fourth symphonies were muffled religious ceremonies, but the feeling here is bare and wretched, and the great numbers who piled out of Carnegie Hall after this movement seemed to be making an understandable response.

The Sixth Symphony was written for Mstislav Rostropovich and the National Symphony, who gave this performance; the Seventh, a New York Philharmonic commission being heard for the first time, was composed for another conductor with whom Schnittke has had a long association: Kurt Masur. It is a more compact piece than the Sixth, lasting little longer than twenty minutes, and a more continuous one. There are now three movements, and the first two are both so short as to seem preludial, the opening andante being for strings and its successor turning to the wind and percussion. Then in what emerges as the main movement, the horns quite soon introduce a waltz-chorale that appears to satisfy demands for a principal theme.

But the new symphony is hardly less bleak than its predecessor. Even its continuity is not so much growth as wandering (in the case of the long opening for solo violin) or idling repetition – or finally both at once, as the slow waltz time is played three times identically by soloists in the far bass (trombone, contrabassoon, double bass). It is a haunting melody, but not a soothing one, and its insufficiency as a gesture of farewell consolation is perhaps its point. Schnittke, living now in Germany, pays homage to that country by encoding German place-names into the second movement, but ironically the notes he gets from "Deutschland" come very close to the DSCHE cryptogram with which Shostakovich signed several of his works, and it is to Shostakovich's example that this new symphony, like so much of Schnittke's music, most conspicuously appears. Shostakovich was, of necessity, a master of musical double-talk: of hollow affirmations, of savage glee. Schnittke opens up several further layers of splitting, and leaves us with music whose motivations are endlessly tangled, music whose increasing anxiety has only made it ever more uncertain and unsettling.

Paul Griffiths



Wax sculpture by Medardo Rosso: 'The Flesh of Others', 1883



Master of the fleeting suggestion: photograph of Medardo Rosso

Tactile works in wax and clay

Medardo Rosso was born in Turin in 1858. A spell of soldiering took him through his early 20s and it was not until he was 24 that he turned seriously to art, entering the Brera Academy in Milan in the summer of 1882. That too did not last long. Barely a year later he had been expelled for insubordination and taken himself off to show at that year's International Exhibition of Fine Art in Rome.

From that moment he was clearly an actor on the international stage, showing his work in major exhibitions at every opportunity – now at the *Salon des Indépendants* in Paris, now in Venice, now in London, at the Albert Hall. He was already travelling widely, and in 1889 he moved to Paris where he was to keep a studio almost until the end of his life. For the next 30 years he was acknowledged with Rodin as the principal sculptor of impressionism, his work shown throughout Europe. In 1898, when Rodin's *Balzac* was first shown, Rosso was cited as putative influence – their friendship ended soon after. Boccioni and Marinetti saw him as the revolutionary forerunner of Futurism. Upon Rodin's death in 1917, Apollinaire

declared him the greatest sculptor alive.

Six years on and the furniture in the Paris studio had been taken by the bailiffs against unpaid rent. He continued to show, mainly in Italy where he was still held in high regard, but the sense now is of a career and reputation in decline. He died in hospital in Milan in 1928, a little short of his 70th birthday, after having had a leg amputated following an accident to his foot.

another matter. What we do get is something altogether more ambiguous and surprising, at once more thoroughly old-fashioned and more profoundly radical and present than we supposed.

He was never a carver: his materials were those of the modeller, clay and wax, by which the image may be realised directly and quickly, and either left as it is or cast into plaster or bronze. And as a modeller, the young Rosso works soundly

making his work so relevant to current practice and preoccupation. What intrigued his contemporaries was the way in which increasingly he came to establish the most fleeting suggestion of head or face, a cast of countenance caught in the wing, with but most minimal apparent intervention on his part. There was the impression, to be viewed perhaps from one side of what was manifestly still a lump of stuff. Yet the quality of that image, so

making of the plaster mould for subsequent casts. Similarly, by the lost-wax process, the wax would be, well, lost. But each material, plaster, bronze or wax, has its particular qualities, and here repeatedly we consider the variations, side by side – the matt, light-absorbent surface of the plaster, the heavy, patinated bronze, the translucent wax.

Imagery apart, what we are left with are these differences, and physical and material differences at that. In noting them, we respond to them for being what they are in material terms of stuff and substance. Here is a chunk of plaster or a wilfully rough concavity of bronze, with a most delicate and sophisticated image on it right enough, but also an inside and an outside, a back and front. There it is, not so much for what it might be as for what it is. Take it or leave it. Such is Rosso's modernism as it speaks to us today.

Medardo Rosso: Whitechapel Art Gallery, Whitechapel High Street E1, until April 24, then on to Edinburgh and Leeds – a national touring exhibition from the South Bank Centre, sponsored by British Telecom.

William Packer on a surprising and ambiguous retrospective of the work of Medardo Rosso, a contemporary of Rodin

And now? Rosso's sculpture, these many years past, has been honoured more in the form than the true observance, the work seldom seen and only in the isolated and occasional example. This full – though still quite small – and proper retrospective study is, therefore, of real art-historical moment, a true event.

Whether it gives us the Rosso we might have expected, Rosso the proto-Futurist, the suggestive, symbolic impressionist, is

enough within the genre conventions of the mid-19th century, looking to the domesticity of Delon, to the symbolism of Rodin, and perhaps back a little to the satirical figurines of Daumier. But he brings to such work his own peculiar attack, a rapid and tactile expressiveness in the actual working of the clay, which soon enough becomes an end in itself.

It is in this development that his revolutionary quality lies, and which today

beautiful, so delicate and haunting, as though seen through a veil, was what caught the *fin-de-siècle* symbolist imagination.

Rosso's habit was to make several versions of an image in parallel though not necessarily from the same original, now wax, now bronze, now plaster, each as close as possible but still different in its finish. Any original clay model would inevitably be destroyed in any case, in the

Weekend recitals/David Murray

Young soloists take centre stage

There were notable recitals by two young artists this past weekend, but of different orders. At the Barbican on Sunday afternoon we had the phenomenal Siberian-Israeli violinist Maxim Vengerov, aged nineteen-and-a-half years. At the Wigmore Hall the night before, the pianist Peter Jablonowski – three years older – was the latest "Outstanding Young Artist" in the Marks & Spencer series. Jablonowski was fluent, finely sensitive, technically well-schooled and full of maturing promise. Vengerov, however, is something extraordinary, so preternaturally "natural" a violinist as to compel rapt attention and awe as well as delight.

As is his wont, he chose an eminently serious programme, leaving spectacular feats for the Wieniawski *Polonaise* at the

end and for his encores – just two Kreislers and a sort of frantic *galop* by Bazzini, all dazzlingly brilliant. (At the Wigmore last March, he spun off showpiece encores for some 40 minutes.) Vengerov is a glorious champion of such old-fashioned stuff, as you would expect of a Complete Violinist like him. Almost invariably it was composed by master-performers, who knew better than anybody how to exploit the possibilities of the instrument to the limit. He does them full honour.

In classical works he exercises respectful self-restraint. Here, he began with Moz-

art's K. 305 Sonata in A, in which the piano almost shades the violin, and then proceeded to old Brahms's lovely, vernal Sonata in G. Though Vengerov is fortunate in his current piano partner – Itamar Golan, no mere accompanist but an imaginative virtuoso in his own right – it took them most of the recital to find a just balance in the Baroque acoustic.

In the Mozart, designed for a much lighter "harpischord or fortepiano", and sometimes in Brahms too, the piano outweighed the violin. After the interval, when perhaps somebody had warned

them, Golan was self-effacing to a fault in Prokofiev's visionary F minor Sonata, black and brooding. Little harm was done, for Vengerov pursues a musical line with such full-hearted intensity, always smoothly controlled but speaking volumes, that one has to listen like the Ancient Mariner's guest. He thinks in very long paragraphs, not just phrases. In fact his seamlessly articulate legato in Brahms risked leaving too few breathing-spaces for comfort – but while it went on, nobody could conceivably complain. Until he let his hair down for his sensa-

tional Wieniawski and the encores, it was the Prokofiev that displayed Vengerov's superb gifts at fullest stretch. Jablonowski too was at his best in Prokofiev, the angry, oervery Seventh Sonata: it was impressively taut and searching, if without the ultimate degree of scathing force.

Similarly, the first and last pieces of Debussy's Book 1 *Images* built admirably toward climaxes which proved rather mild when they arrived – like Liszt's fustian "St. Francis Walking on the Water", too loosely aqueous (and too fazed by finger-slips). In four Scarlatti sonatas Jablonowski offered less fantasy and less vital "ping" than Leon McCawley two weeks ago, but a subtler, more delicate sound-palette. His F minor sonata K.466 was beautifully imagined, a transparent dream of melancholy.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Gidon Kremer and Martha Argerich play Beethoven violin sonatas. Tomorrow: Isabelle van Keulen violin recital. Thurs. Sat: Takacs Quartet. Fri: David Geringas cello recital. Sun afternoon: Netherlands Bach Orchestra and Chorus in Bach's St. Matthew Passion (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Thurs: Alberto Zedda conducts revival of Dario Fo's production of *Il barbiere di Siviglia*, with cast led by Vassily Gerello, Monica Bacelli and Hong-Shen Li (in repertory till March 26). Fri, Sun next Mon, Wed, Thurs: Nederlands Dans Theater in two programmes, including choreographies by Hans van Manen and Susanne Linke (020-625 5455)

ANTWERP

de Vlaamse Opera Tonight, Thurs, Fri, Sun afternoon: Evelino Pido conducts Guy Joosten's production of *La Cenerentola*, with Alison

Browner as Angelina (03-233 6685) deSingel Tonight, tomorrow, Fri, Sat: Jan Fabre solo theatre show entitled *Jon* shall speak my thought (03-248 3800)

BASLE

● Garcia Navarro conducts Barcelona City Orchestra on Thurs at the Casino, with music by Gerhard, Falla and Ravel (061-272 1176) ● Friedrich Cerha conducts Hans Hollmann's new production of *Lulu*, opening on Sun at the Stadttheater (061-295 1133)

BRUSSELS

Palais des Beaux Arts Fri evening, Sun afternoon: Jun'ichi Hirokami conducts Belgian National Orchestra in works by Prokofiev, Schnittke and Tchaikovsky, with cello soloist Torleif Thodeen. Sat: Carl Davis conducts RTL Symphony Orchestra. Sun evening (Epilise des Minimes): Hilliard Ensemble in Renaissance vocal music (02-507 8200) Monnaie Sat: Gianluigi Gelmetti conducts first night of Luca Ronconi's new production of Rossini's *Otello*, starring Chi Meritt and Lella Cuberli. Repeated March 8, 10, 13, 16, 19, 22, 24, 27 (02-218 1211) Théâtre National A Mavieux double-bill, comprising *L'Ecole des Mères* and *Les Acteurs de Bonne Foi*, opens tomorrow and runs daily except Mon till March 12. Directed by Claude Stratz (02-217 0303)

CHICAGO THEATRE

● The Night of the Iguana: Robert Falls directs Tennessee Williams' late play, with William Peterson as the debased minister drawn to a New England spinster, played by Cherry Jones. Opens on Fri (Goodman 312-443 3800) ● The Mesmerist: Ara Wilson's play, set in 1884 India, about the leader of a spiritual society who is investigated when her mystical powers are called into doubt. Till April 3 (Steppenwolf 312-335 1650) ● The Importance of Being Earnest: Oscar Wilde's classic comedy directed by Nicholas Rudolph. Till April 3 (Court 312-753 4472) ● Joseph and the Amazing Technicolor Dreamcoat: The Andrew Lloyd Webber musical directed by Stephen Pimlott, with former teen heartthrob Donny Osmond as the Bible's flashiest dresser (Chicago 312-902 1500) ● Second City: The improvisational comedy craze was born in Chicago, and Second City is still its hub. Catch a comedy revue on the main stage or the company's smaller theatre (Second City, 312-337 3992)

● GENEVA Victoria Hall Tonight, tomorrow: Amin Jordan conducts Süssa Romanze Orchestra and Pro Arte Chorus in Verdi's Requiem (022-311 2511). Fri: Garcia Navarro conducts Barcelona City Orchestra in works by Gerhard, Falla and Ravel (022-310 5611) Comédie Opening tonight, Maly Theatre of St Petersburg presents a two-week run of its widely-acclaimed theatre spectacle entitled *Claustrophobia*

(022-320 5001) Grand Théâtre The next opera production is Billy Budd, opening on March 15 with a cast led by Robert Tear and Willard White (022-311 2311)

LAUSANNE

Casino de Montbenon Fri: Andrew Litton conducts Lausanne Chamber Orchestra in works by Weber, Strauss and Poulenc, with piano soloist Brigitte Engerer (021-312 6433) Théâtre de Beaulieu Sat and Sun: Nederlands Dans Theater in choreographies by Jiri Kylian. March 13-20: Gluck's *Iphigénie en Tauride* (021-312 6433)

VIENNA

Staatsoper Tonight: La traviata with Nancy Gustafson, Keith Ikaia-Purdy and Juan Pons. Tomorrow, Sat, next Thurs: Samson et Dalila with Balisa and Camaras. Thurs, next Mon: L'italiana in Algeri with Vessella Kasarova and Rockwell Blake. Fri and Sat: Kenneth MacMillan's ballet *Manon*. March 18, 21, 23: Carlos Kleiber conducts Der Rosenkavalier (51444 2955) Musikverein Tomorrow: Leipzig University Wagner Society Orchestra of Japan plays Takemitsu, Ravel and Mahler. Thurs: Martin Haselböck conducts Wiener Akademie in works by Haydn and Hummel. Fri: Kazimierz Kord conducts Warsaw National Philharmonic Orchestra in Brahms and Shostakovich, with piano soloist Valery Afanassiev. Sat and Sun: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in Haydn, Apostol and

Schumann. Sun afternoon, next Mon evening: Rudolf Buchbinder is piano soloist with Tonkünstler Orchestra. March 11: Alfred Brendel (505 8190) Konzerthaus Fri: Ivan Fischer conducts Austrian Radio Symphony Orchestra in works by Part and Bruckner. Sat afternoon, Sun morning: Vienna Chamber Orchestra plays Shostakovich and Schubert. Next Mon: Dmitri Bashkirev piano recital (712 1211)

Messeplast Tonight, tomorrow, Thurs: Compagnia Nazionale de Danza in choreographies by Naocho Duto. Sat, Sun, next Tues, Wed: Cloud Gate Dance Theatre (588 1678)

WASHINGTON

Opera/Concerts ● Washington Opera ends its season with *Un ballo in maschera* and *Madama Butterfly*, in repertory at Kennedy Center Opera House till March 20. The Verdi cast includes Richard Margilison and Lisa Gasteen. Yan Yan Wang sings the title role of the Puccini (202-416 7800) ● Evelyn Glennie is percussion soloist with National Symphony Orchestra, conducted by Leonard Slatkin, at Kennedy Center Concert Hall on Thurs, Fri, Sat and next Tues (202-467 4600) ● James Paul conducts Baltimore Symphony Orchestra on Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall, with violin soloist Julian Rachlin. The programme includes Bruch's Violin Concerto and Elgar's *Enigma Variations* (410-783 8000)

THEATRE

● My Astonishing Self. Donal

Donnelly's one-man show about George Bernard Shaw can be seen on Fri, Sat and Sun at Folger Shakespeare Library (202-544 7077) ● Breaking the Silence: Stephen Pollakoff's 1984 play about the struggles of a family on the run from the Russian Revolution. Till March 20 at Church Street Theater (202-657 2465) ● Othello: Shakespeare's play is directed by Irene Lewis at Centre Stage's Pearlstone Theater. Till March 20 (410-332 0033)

ZURICH

Kongresshaus Tonight: Montserrat Caballé song recital (01-261 1600) Tonhalle Tonight, tomorrow, Thurs, Fri: Horst Stain conducts Tonhalle Orchestra in works by Mendelssohn, Weber and Reger, with piano soloist Denes Varjon. Sat: Eduard Muri conducts South-West German Philharmonic Orchestra and Chorus in works by Beethoven and Rossini. Sun: Bach's *Matthew Passion*. March 13: Alfred Brendel (01-261 1600) Opernhaus Tonight: Leopold Hager conducts Bruckner's Eighth Symphony. Tomorrow, Sat: Nikolaus Harnoncourt conducts Jürgen Flimm's production of *Alcina*. Thurs, Sun: *Le nozze di Figaro* with cast headed by Ruggero Raimondi (01-262 0909) Schauspielhaus Tonight, tomorrow, Thurs: Dürrenmatt's *The Visit*. Fri, Sat, Sun: Peter Shaffer's 1965 play *Black Comedy* (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington
Wednesday: France, Germany, Scandinavia
Thursday: Italy, Spain, Athens, London, Prague
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY

NBC/Super Channel: FT Reports 1230.

TUESDAY

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY

NBC/Super Channel: FT Reports 1230

FRIDAY

NBC/Super Channel: FT Reports 1230

Sky News: FT Reports 0230, 2030

SUNDAY

NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730;

When the buses and trams stopped running in many parts of Germany for a couple of hours early yesterday morning, most commuters reacted with calm and good humour. They were only witnessing a brief rash of token strikes, after all, and nothing like the widespread chaos caused by an 11-day stoppage called by the public sector trade unions two years ago.

This time nobody believes that the unions will go that far. Not only are they operating against a background of sharply rising unemployment, they are negotiating with a bunch of employers whose coffers are visibly empty.

For once, the public sector pay round, covering some 3.5m workers ranging from bus drivers to garbage collectors, school caretakers and postal workers, has united the normally quarrelsome ranks of the German political establishment.

From the ruling conservative-liberal coalition in Bonn, through the 16 state governments, to the whole multiplicity of local authorities, ranks have closed in favour of an outright pay freeze.

At every level of government in Germany, budgets are under extraordinary pressure. It is not just the federal government in Bonn that is desperately struggling to keep its net borrowing under DM70bn (£27.5bn) for the second year in succession. The wealthy west German states will this year be forced to borrow DM2.5bn on the capital markets, for the first time exceeding their all-time record deficit of DM2.1bn in 1981.

In east Germany, the five "new" federal states which began life at unification in 1990 without any debts at all, now expect to borrow DM2.5bn this year. By the end of 1994, they will have run up a debt mountain of DM7.6bn.

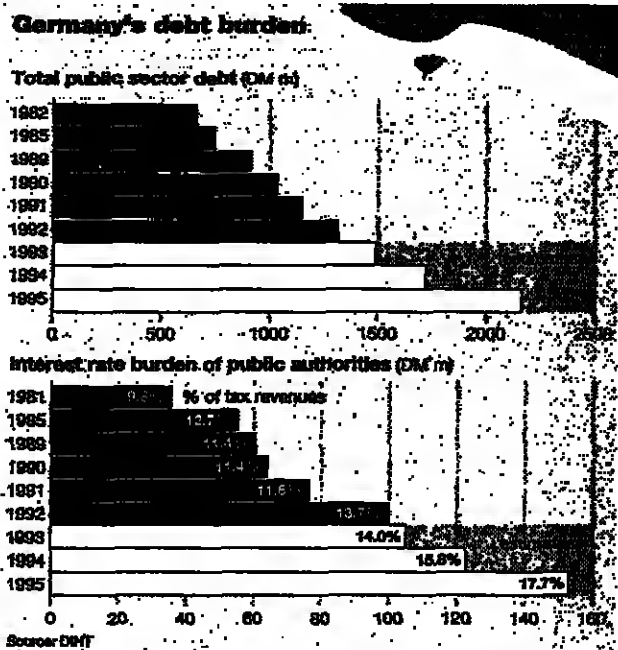
As for the local authorities, their combined net borrowing this year will add another DM2.2bn to the total, in spite of a severe squeeze on services.

At the weekend, Mr Theo Waigel, Germany's irascible finance minister, sought to put the best possible gloss on the situation when he told his Group of Seven colleagues about the prospects for economic recovery.

The Bonn government will cut its budget deficit from the current 3.5 per cent of gross domestic product to less than 3 per cent by 1995, he said - and thus conform once again to the level laid down in the Maa-

Quentin Peel on Germany's runaway public sector debt

Up, up and away



tricht treaty for European economic and monetary union.

What he failed to mention was that at precisely the same time - in 1995 - the overall public sector debt will fall through another Maastricht convergence criterion, topping DM2,000bn, or rather more than 60 per cent of GDP.

It is a prospect that is causing concern right through the German economic and business establishment, not least because the process seems to be unstoppable.

The Bundesbank warned in its latest monthly report that the total public sector debt was approaching the Maastricht ceiling "by leaps and bounds".

According to a comprehensive analysis just published by the German chambers of commerce and industry (DIHT), the public sector debt will reach DM2,163.5bn in 1995, or 62.7 per cent of GDP.

What the DIHT is seeking to launch is an entire debate on the nature of public spending, and the need for wholesale structural reforms. Instead of the piecemeal approach of annual savings packages adopted by Mr Waigel and his

colleagues in Bonn and the federal states.

In the first 30 years of the German federal republic, the public sector accumulated a total debt of DM500bn, the DIHT says. In just five years since German unification, the republic will have added double that amount, pushing the debt burden up from DM1,089bn in 1990 to the forecast DM2,163.5bn next year.

Unification is obviously one overwhelming factor for the surge. The other is the explosion of social spending. The last straw has been the addition of east German debts to the total: DM275bn from the Treuhandsprivatisierung agency will be taken over by the federal government next year, and some DM125bn in debts from the former East German housing fund. Add to that some DM80bn in the debt burden of the combined German railway system, assumed from last January 1, and the DM2,000bn barrier will be easily surpassed.

What concerns the DIHT, however, is not just the scale

of borrowing, but the purpose to which it is put. For the level of consumption in public spending has been steadily increasing at the expense of investment spending.

In the budgets of the federal states, for example, more than 82 per cent of their combined spending of DM456bn last year was on the current account. Of that, DM175bn, or 38.5 per cent of the total, was on the wage bill. Another DM71.5bn was on administrative expenses. The Länder, says the DIHT, "are becoming little more than labour-intensive service enterprises".

The other main concern is that Mr Waigel's hope of bringing his net borrowing back within 3 per cent of GDP is based on over-optimistic assumptions of future economic growth.

The finance ministry's medium-term plan assumes a nominal growth rate of GDP of 6 per cent a year up to 1997, and a 3 per cent annual spending limit. On the basis of this the total net increase in debt would be DM285bn between 1993-97. The extra interest rate burden would add a further DM17.5bn, assuming a 6 per cent interest rate.

Yet if the nominal growth is only 5 per cent, the accumulated deficit would hit DM425.5bn, and the extra interest burden would total DM25.5bn.

It is a grim prospect for whichever party or parties win the coming national elections in October, let alone the various state and local elections in the offing.

The one man who is currently seeking to make political capital out of it is a real outsider: Mr Jürgen Möllemann, the former economics minister, now languishing in the wings of the Free Democratic party, plotting to get back into power.

He has published a radical plan which would slash the number of federal government ministries from 18 to 12, the number of members of parliament from 662 to 500, and the number of federal states from 16 to 7. He wants to slash subsidies to all sectors - such as agriculture - and increase charges for public services across the board, like energy, water and sewage.

The trouble is that he is largely a discredited force, in his own party and in the ruling coalition. He is unloved by the opposition SPD. So the probability must be that the debt will go on soaring, and radical solutions be rejected in favour of piecemeal savings.

Joe Rogaly

Why IRA eyes are smiling



The peace plan for Northern Ireland put forward by Mr Albert Reynolds, against the wish of the British, but not the Irish, authorities. It may be that he will not be given a second opportunity to do the rounds of the New York TV studios unless he first renounces violence. Perhaps Mr Major is being assured of that during his visit to the White House this week. It matters not, either way, Mr Adams has the cameras at his fingertips. If he cannot go to them, they will come to him. His ability to say that his voice may not be heard in Britain helps his performance.

For the moment, he is a star of global communications. The Irish and UK prime ministers will see their joint declaration of December 15 stands. It is a permanent invitation to the terrorists to lay down their arms and pursue their aims by democratic means. Maybe they will, but there is no obvious reason why they should hurry. The president of Sinn Féin, Mr Gerry Adams, is floating high on the oxygen of publicity. The IRA has not ceased its violence. Its political front resists every opportunity to condemn the use of the bomb and the bullet, let alone undertake to secure their abandonment. While the nationalist side stands armed and firing, the equally reprehensible "loyalist" terrorists retaliate. Yet London, Dublin, and sassy liberals everywhere dance around Sinn Féin, in a ritual of courtship that must bring a smile to the face of their president.

The list of concessions wrung out of the Irish and British governments is depressing. Restrictions on broadcasts which had been in force for 23 years have been lifted by the Irish government. The UK has agreed to lift the ban on the IRA's use of the word "terrorism". The British government has agreed to lift the ban on the IRA's use of the word "terrorism".

Mr Adams has asked for "clarification" of the Reynolds-Major declaration. The Irish prime minister has responded accordingly. The British government has responded accordingly. The British government has responded accordingly.

There was a further setback yesterday. Mr Major, with wobbly support from Mr Reynolds, has been careful to maintain the acquiescence in the whole strategy of the principal unionist party. By not opposing it, the Ulster Unionists, led by Mr

He was crowned media king for 48 hours after being granted a visa by US President Bill Clinton, against the wish of the British, but not the Irish, authorities. It may be that he will not be given a second opportunity to do the rounds of the New York TV studios unless he first renounces violence. Perhaps Mr Major is being assured of that during his visit to the White House this week. It matters not, either way, Mr Adams has the cameras at his fingertips. If he cannot go to them, they will come to him. His ability to say that his voice may not be heard in Britain helps his performance.

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Adams demanded that the Unionist "veto" on any future constitution be lifted, the UK continues to explain patiently, as has Mr Reynolds. That self-determination means that no solution can be imposed. Most Irish voters support that basic principle.

All of this must be music to Sinn Féin ears. It is not getting its way, but it is promoting its arguments. It is stringing the rest of us along, squeezing the last drops of advantage out of the declaration. A small minority party both north and south, it has repeatedly failed at the ballot box. In general elections in 1992 it won less than 2 per cent of the vote in the Irish republic and less than a tenth of the vote in Ulster. That is barely a third of the potential Catholic turnout. Recent opinion polls suggest that an overwhelming majority of the Irish people want the violence to end.

Mr Adams protests that Sinn Féin is not making out the latter would be no reason to pay attention to him. His tiny party has been out in the cold, excluded from democratic politics by its relationship with the men of violence. Now it is a player on the international stage, the subject of respectable-sounding discourse, albeit at arm's length, with the two prime ministers who carry responsibility for the future shape of Ireland.

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James Molyneux, have kept the so-called peace initiative afloat. In so doing he has risked losing the votes of his natural supporters. Yesterday Mr Molyneux pointedly rejected the notion of multi-party talks at which representatives of his party and of Dublin were both present. He prefers to get on with the establishment of an Ulster assembly which, once elected, could do the talking. One strand of the London-Dublin strategy has thus been snapped. It may eventually be restored. Meanwhile such unionist posturing helps make Mr Adams's point for him.

In Irish eyes the above picture may seem less dismal than it does in London. The real debate may be within Sinn Féin. The leaders of the latter are masters of delay, but they need time to which to extract what they can from the two democratic governments. Then, say the starry-eyed, they will call a ceasefire. Only unionist impatience, or emotional outbursts by influential Tory backbenchers, could upset that timetable. Perhaps. Meanwhile London and Dublin will search for a move they can make on their own. It could be hard to find.

There is no case for withdrawing the Major-Reynolds declaration, which is a statement of principle that removes all props from the arguments favouring violence. Talking to Ulster's democratic parties about a devolved assembly was made more difficult by Mr Molyneux yesterday, but it is not impossible. Publishing the proposals worked up by Mr Adams with Mr John Hume, the leader of the mainly Catholic Social Democratic and Labour party might help. What else? Britain and Ireland can only wait for peace. They have waited 25 years. However awful, they could withstand another.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No rationale for price controls

From Dr William Wallace.
Sir, Christopher Johnson's summary of the National Commission on Education's proposals (Personal View: "Lesson in maximising human capital", February 23) proposes to introduce market principles to higher education funding, through recouping some of the additional earnings which successful graduates can hope to make in later life. I am puzzled that he should stumble over his logical conclusion, that universities should in turn be allowed to charge students what the market will bear.

The government's current resistance to "top-up" fees, which Mr Johnson supports, is an oddly socialist position. "It would," he tells us, "avoid the most sought-after universities enhancing their relative advantage." But he offers no rationale for this imposition of price controls, which is likely in the long run to level down the quality of the best universities through linking their ability to raise income to match their necessarily higher expenditure.

The impression given is of a poorly thought-out tactic intended to avoid protests from middle-class Conservative voters, without considering its implications for higher education strategy. Does the government want good universities to get better - or does it wish to level down to a uniform pattern of mass higher education?

If market principles are to be applied, there is no case for government regulation to impose uniform fees across almost 100 universities. If Galwick Express is allowed to charge more for getting people there faster than Network South-East, there is no justification for refusing to allow Oxford to charge more for offering a premium service. William Wallace, St Antony's College, Oxford OX2 6JF

Capital reform for Lloyd's
From Mr J H Murray Willis.
Sir, Reform is due for the Lloyd's method of allocating capital to syndicates by queuing or, to quote the Lex column (February 19), granting of "grace-and-favour indulgence". Its replacement with the adoption of a value/trading system for syndicate shares would bring an improvement in efficiency of the market for the benefit of all Lloyd's investors.

Corporate members, whose share prices reflect value for their 1994 account syndicate participation, have no grounds for objection to this. Indeed, the greatest benefit professional corporate investors can bring to Lloyd's is the demand for the introduction of further investor rights enjoyed in other capital markets.

J H Murray Willis, Oakwood Underwriting Agencies, 85 Church Street, London EC3 0BH

Case for stricter accounting of German corporations
From Mr Thomas Hein.
Sir, With reference to John Craven's article (Management: "Testimony to the German system", February 18), enthusiasts of the German model of corporate governance have long praised the system for its allegedly superior long-term performance. Mr Craven, chairman of merchant bankers Morgan Grenfell, a Deutsche Bank subsidiary, now claims that the German model merits praise for its superiority against others with respect to its capacity for short-term handling of corporate failure, like the one that occurred at Metallgesellschaft AG.

What Mr Craven can book as a natural advantage in the successful rescue of Metallgesellschaft AG is seen by many in this country as the cornerstone of an organised system of unaccountability that has created much of the rigidity and stagnation that we face in German society. The talk here is of the virtually closed and highly centralised system of decision-making in the German model of corporate governance.

There is an urgent need to end the cosy relationships in German corporatism and to remind everyone of the individual responsibility owed to a business. It is not acceptable that public banks, as occurred in the rescue of Metallgesellschaft AG, are actively engaged in securing the gambling risks of badly controlled managers from private corporations. Since the current German model of corporate governance seems to be built on weak moral grounds you should not be surprised to hear more energetic calls for stricter accounting rules. Thomas Hein, Lehrter Strasse 50 10557 Berlin

Belief, claims and facts on the Catholic Church
From Mr Norman William Smith Jr.
Sir, So many mis-statements are contained in the Very Rev Hugh Dickinson's article, "Not all roads lead to Rome" (February 12).

His claim of a "steady stream" of American Catholics into the US Protestant Episcopal Church conflicts with that denomination's documented loss of almost one-third of its membership over the last decade.

His assertion that "the bodily assumption of the Virgin Mary into heaven is a belief necessary for salvation" misrepresents the role of dogma in the Catholic Church. He coins the phrase "Papal fundamentalism" (without even bothering to define the term) and then darkly quotes it with "biblical fundamental-

ism". Is it really "equally oppressive" to be asked to believe: a) that God preserved the body of the Virgin Mary from earthly corruption, and b) that God created the world in six calendar days?

He characterises the Papal ban on contraception as an "outrage against conscience and reason" and is known to be by the majority of Roman Catholic lay people and priests. True, a majority of Catholic laity appears either to dissent from or otherwise to disregard the teaching, but it can only be a small, small minority that characterises it as an "outrage".

Dr Dickinson attributes the stability of faith in the Catholic Church to an "absolute authority" (that) can never admit that it was wrong. But this overlooks the more basic point that, if Christ's teachings on faith and morality are themselves authentic, and if one believes that Christ protects "the Church" from "error", one would assume a fairly consistent and uniform interpretation down through the centuries, whether or not its structure was "authoritarian".

Whenever any man, theologian or scientist, changes his views, he necessarily begs the question: were you right then or now? For a "church" to denigrate the beliefs of its ancestors in faith can only prompt the same question.

Organised religion, whether Christian or otherwise, has been characterised as a union of faith, morality, and liturgy. True, one can identify "churches" which trivialise faith and morality. Saint presents the best case. But the

stagnation that we face in German society. The talk here is of the virtually closed and highly centralised system of decision-making in the German model of corporate governance.

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American experience suggests that the "market" for such a "church" is extremely small. In diminishing the importance of belief and morality, the Anglican Church is pursuing a "market niche" of small dimensions. A liturgy, regardless of how "Catholic", will not sustain its membership.

Finally, as in an earlier piece on Bishop David Jenkins, he betrays a deep antipathy to any "faith" not buttressed by demonstrable scientific evidence.

But how different this is from the attitude of Christ Himself, for whom "faith" was superior to acquired knowledge (John 20:29).

Norman William Smith Jr., 118 Woods Lane, Radnor, Pennsylvania 19087, US

Prime time for private funding
From Mr Ivor Kemna.
Sir, Your editorial comment ("Private finance", February 25) says that private finance for public capital projects has yet to show any real progress. Institutional investors prefer stock exchange securities with proven track records.

A former president of the Institute of Actuaries and chief actuary to the Prudential, Frank Redington, said, in a lecture on April 19 1977: "The net amounts passing between industry and long-term savings are small. To give teeth to the point, in the 11 years 1965-75, industry raised £6bn in new long-term capital, but it repaid £5.5bn in cash acquisitions (takeovers, trade investments, etc). The net requirement of £0.5bn compared with the growth of £24bn in institutional funds over the same period."

The £23.5bn went into the purchase of already existing stocks and shares. It could not affect the income-earning potential of the underlying companies at all. If this money had gone into public capital projects, the country could have had new road and rail systems, the second Severn Bridge, etc. The institutions would have had the income from all these projects.

A similar situation exists today. There is no time to lose to investigating the position. As the Labour party document points out, "there are plenty of competing capital projects at home and abroad" (my emphasis). Ivor Kemna, 72 Compton Street, London EC1V 0BN

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Tuesday March 1 1994

Russia's move in Bosnia

It was strangely obliging of the Bosnian Serb airforce to provide Nato with such a clearcut casus belli.

Had the Serbs rejected last month's ultimatum, or resumed shelling Sarajevo after the ultimatum expired, Nato would have had to launch air strikes against Serb weapons in order to retain any credibility. But by doing so in the teeth of strong Russian warnings, it would have risked a very serious crisis both on the ground and in the UN Security Council.

As it was, both the Serbs and Nato were spared that confrontation by the Russian intervention. That left an ambiguous situation in which no one was quite sure who had won. Now, by a flagrant violation of the no-fly zone, the Serbs have allowed Nato to establish its credibility unambiguously, but also in circumstances of indisputable legality. Last March the Security Council explicitly authorised "member states... acting nationally or through regional organisations or arrangements", to use force against aircraft violating the NFZ.

Russia voted in favour of that resolution, and yesterday the Russian foreign ministry supported Nato's action, while awaiting "clarification" of the aircraft's identity, which the Bosnian Serb command has tried to disclaim. Thus the Serbs appear to have embarked on a strategy of escalation without bothering to secure the support of their Russian protectors.

Already involved in a joint onslaught with the Croats on the

Muslim enclave of Magaj, yesterday they also launched an intense heavy artillery attack on the town of Tuzla and its airport, which the UN is hoping to reopen next Monday. In addition, their chief of staff, General Manojlo Milovanovic, said he would use weapons against aid convoys if the UN commander, General Sir Michael Rose, acted on his decision to send them through Serb lines under armed escort without applying for Serb permission.

All these actions are clear provocations to both the UN and Nato, particularly the shelling of Tuzla (supposedly one of the UN's "safe areas") and its airport. Reopening the airport was the object of Nato's last ultimatum but one - though it was inexplicably omitted from the more recent one, the first to set a specific deadline. Nato is unlikely to react with immediate air strikes, but Gen Rose may well call for air support if Gen Milovanovic carries out his threat to attack UN-escorted convoys.

The Serbs are probing Nato, but thereby implicitly also testing the limits of Russian support. This may actually be useful to Nato, which needs to know how far it can count on Russia to moderate Serb behaviour. The correct response for Nato at this stage is to hold back from further air strikes unless the provocation is very direct (further violations of the NFZ, or renewed shelling of Sarajevo). While asking Russia to use its influence with the Serbs so that further ultimatums are not necessary.

Some hedge

Hedge funds make splendid scapegoats for the recent turbulence in global markets. But is one of the unstated risks in their frenetic and highly leveraged operations that their importance is being exaggerated?

The size of the foreign exchange market is such that it seems implausible that even Mr George Soros of Quantum Fund fame could have extracted sterling from the exchange rate mechanism single-handedly - and we only have Mr Soros's word for the amount of profit he made in speculating against sterling. If rumours of huge bond market losses among the hedge funds in recent days are true, the main victims, apart from the managers, will be rich individuals who knew what risks they were taking when they entrusted their money to these off-shore buccaners. At first sight, then, it may seem odd that the Bank of England, whose concern in these matters is primarily to do with systemic risk, should be looking into the issue.

Yet the central bankers cannot afford to ignore the likelihood that hedge funds are often the counterparties of the commercial banks. In that sense they may be systematically important. And the only undisputed fact about these private pools of capital is that their managers borrow to speculate, while revealing little information about their financial activities.

Much of what they do takes place not in the cash markets but in derivatives. This, too, is an opaque and highly leveraged part

of the global securities system, since much of the dealing takes place in over-the-counter markets. The precise location and extent of the risk is not always easy to identify. There is the obvious scope for the kind of problem that arose with the collapse of the Herstatt bank in the 1970s or with the difficulties of Dresdner Bank in the 1980s, where central bankers felt obliged to help close out the US investment bank's positions.

Estimates of hedge fund capital range from \$300m to \$800m. With leverage, that could readily imply that they are taking positions in the markets of \$300m upwards. But since the risk is exaggerated, the main victims, apart from the managers, will be rich individuals who knew what risks they were taking when they entrusted their money to these off-shore buccaners. At first sight, then, it may seem odd that the Bank of England, whose concern in these matters is primarily to do with systemic risk, should be looking into the issue.

The immediate need is clearly for information about counterparty risk in the commercial banking system, in order to establish how the banks are controlling their exposure to the hedge funds. If the exercises now being conducted in Britain and the US indicate that the risk is exaggerated, so much the better. If not, and the data permit, the case for tougher capital requirements within the existing capital regime of the Bank for International Settlements will be overwhelming. Where rich individuals are being seduced into speculative mania by hedge fund gurus whose credentials remain obscure, it seems all too plausible that the world's bankers will not be far behind.

New-look TUC

Founded in 1868, Britain's Trades Union Congress is "re-launching" its need for a new product - a new trade union centre, like a national employers' organisation, needs to contribute expert and constructive views to the public policy debate about workplace issues, and to lead rather than just reflect the dialogue within its member organisations.

Mr Monks needs to make a splash on issues like flexible labour contracts, the changing shape of public sector employment and the need to control wage inflation in the economic recovery. These are all controversial matters within TUC-affiliated unions. Although Mr Monks represents a return to the quiet, technocratic style of Len Murray, individual unions resent being lectured by the TUC and some are already uneasy at the speed of the current reforms. The emergence of the super-unions - such as Unison in the public sector - may compound the problem as these organisations acquire larger political ambitions in their own right.

The broader difficulty underlying the relaunch is the lack of a clear concept of modern trade unionism. The need is for a trade unionism that transcends collectivism, but which makes an assertion of contribution to fostering a but efficient framework of labour market regulation and control at a time when smaller, sectoral enterprises are of increasing importance. If Mr Monks, the TUC may well be have had its day.

parties other than Labour at the last election.

But to justify its existence as a trade union centre, like a national employers' organisation, needs to contribute expert and constructive views to the public policy debate about workplace issues, and to lead rather than just reflect the dialogue within its member organisations.

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Sitting in his office overlooking the muddy Thames, the chairman of Britain's second most valuable company vents a characteristic flash of irritation at the stockbrokers massed behind him in the City. "The first view was 'Here is this bank from Asia. They have got these huge profits, but look at their track record in Australia, look at America. They can't manage any bloody thing.' Well, my team and I have got to prove those detractors wrong," says Sir William Purves.

For most of his working life, the 63-year-old expatriate Scot did not have to worry overmuch about City institutions. The chairman of the Hongkong and Shanghai Bank answered only to the retail investors of Hong Kong and a supportive board, whose non-executives traditionally came from the UK colony's trading companies. "Going back a few years, I don't suppose I looked at the bank's share price more than once a month, or something," says Sir William, with a touch of nostalgia.

But things have changed since the Bank of England insisted that Sir William shift his headquarters from a glamorous tower by Hong Kong harbour to an undistinguished blue-tinted block near Tower Bridge. The \$3.9bn acquisition of Midland Bank - the fourth-largest UK clearing bank - in a contest with Lloyds Bank 18 months ago not only transformed Hongkong and Shanghai into a global banking group called HSBC Holdings, but exposed it to unaccustomed scrutiny.

After a series of flawed attempts to diversify its retail banking activities around the world in the 1980s, the boom in its south-east Asia base combined with the Midland acquisition has given Sir William a chance to lay the doubts to rest before he retires. To do so, he must not only show that HSBC's core of 400 senior managers can run banks around the world competently, but demonstrate, against conventional wisdom, that the concept of a global commercial bank makes sense.

The 51 per cent rise in HSBC's pre-tax profits for 1993 to \$2.8bn, announced yesterday, is a stage in this process. Sir William is expected to retire in 1995, although it could be later, and has set himself a simple task before he goes. "I would like to see the jury not being out, I would like to see some credibility," he says. "It is not going to be easy because the years ahead may not be so easy for banks. But I would like to see some of the question marks about HSBC Holdings lifted."

The initial doubts he had to dispel were among Midland shareholders, who not only had the instinctive respect for the management record of Mr Brian Pitman, chief executive of Lloyds Bank, but were not eager to swap their Midland stakes for HSBC paper. "The people running the UK funds said 'if I'd wanted a stake in a global bank, I would have bought it'," says Mr George Cardona, HSBC's head of planning.

Those shareholders are convinced - for the moment. HSBC has gained from the hunger for emerging markets since the acquisition of Midland on July 10 1992. HSBC's shares have risen from 47p each to yesterday's close of 945p. But the difficult part is still to come. The group must make the other parts of its business work, by redressing the imbalance of holding 40 per cent of its assets in south-east Asia, while deriving \$1.9bn - or 75 per cent - of pre-tax profits from the region.

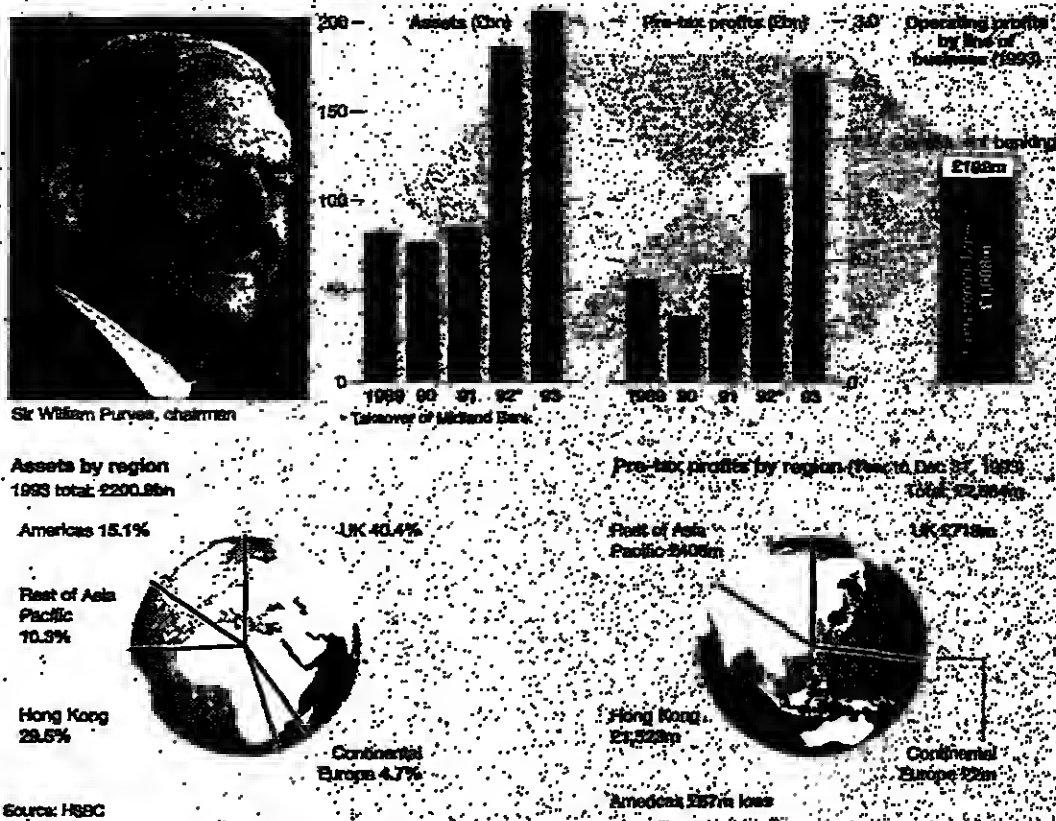
Although the largest investment banks such as Goldman Sachs and Morgan Stanley have developed operations around the world to channel cross-border flows of capital, there are few contenders to become global commercial banks. After the losses sustained in the 1980s by banks which tried to expand overseas by lending to big companies at narrow margins, or buying small retail banks in other countries, most banks have accepted that they are more successful sticking to the home markets in which they are strong.

The exceptions are European banks such as Deutsche Bank and

Greater than the sum of his parts

Can HSBC Holdings persuade doubters in the City that global commercial banking makes sense, asks John Gapper

HSBC Holdings: thinking globally



Crédit Lyonnais, which still have

ambitions to build cross-border retail franchises, and Citicorp, the US bank which has a strong retail business in many emerging markets such as Latin America. But HSBC has managed its portfolio of banks differently. Instead of forming a single bank, it has allowed the managements of banks such as Marine Midland in New York and Hongkong Bank of Canada to run them independently.

HSBC's attempts to expand internationally go back a long way. It always had an international outlook, because it was formed to finance trade out of the south-east Asia in 1865. But Sir William dates the decision to do more than establish overseas offices from the 1970s. "We believed that if we just set as a strong regional bank, we would be swallowed up by a Japanese or an American bank. We thought there was an opportunity for a Hong Kong bank to expand into a big fellow," he says.

By the late 1980s, its method of doing so looked disastrously ineffective. HSBC's directors were particularly chastened by Marine Midland, which they fully acquired in 1987. It sustained losses of \$720m between 1987 and 1991 after its US managers tried to turn it from a regional bank in New York state into a rival to Chase Manhattan and Citicorp. Sir William watched from the sidelines, because HSBC had agreed to allow Marine Midland to operate as the price for acquiring a US bank.

It was a frustrating period for a naturally impatient man, made worse by the fact that HSBC's small Australian subsidiary was also losing money. US regulators and HSBC eventually decided enough was enough, and a team of HSBC directors took over. Marine Midland returned to its regional bank role and recovered to a \$173.2m pre-tax profit last year. The team included Mr Keith Whitson, who is taking over from Sir Brian Pearce as chief

executive of Midland Bank from next month.

Mr Whitson says HSBC learnt a lesson from Marine Midland. "Clearly, with the benefit of hindsight, we kept our hands far too much off the tiller. We did not manage to get the management there to become part of the group. They paid lip service to it, but they did not do it," he says. HSBC does not intend to make a similar mistake with Midland. It has already merged HSBC's and Midland's treasury operations, and is working on plans to improve Midland's technology.

"The most obvious symbol of the group's determination not to delay

Other banks say Midland has emerged as the high street bank most willing to lend money to small business

in getting to grips with Midland is the retirement of Sir Brian, a well-respected banker brought in by the Bank of England to rescue Midland at the height of its bad debt and management problems in 1991. Sir Brian was thought by some to be a candidate as Midland chairman. Although HSBC directors talk of Sir Brian's achievements admiringly, Sir William is taking on the Midland chairmanship himself. Strengthening Midland, and returning it to something closer to its glory days in the 1950s as the largest UK bank, is crucial to Sir William's task of proving that HSBC can manage businesses well. He believes there is room for improvement.

"British high-street banking has developed more slowly than in other places. In many countries in Asia, I think that the customer has a much better service," he says.

HSBC directors believe that both technology and staff training need to be improved.

Apart from improving service to personal customers, HSBC is trying to rebuild Midland's lost market share in lending money to, and handling cash for, small companies. Other banks say that Midland has emerged as the high-street bank most willing to lend money to small businesses since it acquired HSBC's backing.

"We want that image, as long as we do not get the reputation for throwing money at people without assessing the risks properly. We are looking for business," says Mr Whitson.

Attracting more business from large companies has, initially at least, not been too difficult. The HSBC takeover has given Midland the backing of a parent company with a lot of capital, which makes big companies feel safer. HSBC's influence makes it a more natural choice for European companies trading in south-east Asia. "We have gained quite a lot of corporate business from across the Channel which would never have come to Midland, previously," says Sir William.

But HSBC has a long way to go before it rivals US banks like JP Morgan in providing a range of financial services, including the underwriting and distribution of securities for big companies as well as lending to them. This would require it to integrate commercial banking better with global investment banking. Investment banking activities made a pre-tax profit of \$25m last year, and remain a poor cousin of the group's main banking business.

HSBC saw the logic of shifting its balance of business towards investment banking in the 1980s when it acquired James Capel, the London-based equity broker, to add to its Wardley merchant banking arm in Asia. But before it took over Mid-

land - and with it Samuel Montagu, the merchant bank - the investment banking businesses operated separately from each other and from the commercial banking side, and were ineffective. "We had a rather motley crew all doing different things, and not co-operating very much," says Sir William.

HSBC has now set its sights on creating a global investment bank under the direction of Mr Bernard Asher. He says HSBC has got the size and range of activities that attract large companies to deal with its treasury and capital markets arms. "We started in a colonial cul-de-sac, and you do not get many large multinationals there. Once you become large and generate activity, multinational companies feel they have to deal with you," he says.

Yet HSBC has so far shied away from carrying out the full merger of its corporate advisory and equity underwriting arms with its broking and trading activities to create an integrated investment bank. This is a tacit acknowledgement of the weakness of its merchant banking operations. Integration would stop James Capel from offering broking services to other banks, and Samuel Montagu could not supply enough business to compensate.

The move to London has thus presented Sir William with two challenges in creating both an improved form of British clearing bank, and a global investment bank. Sir William says this was the reason HSBC's board decided he should remain at the helm after the official retirement age of 60.

"I said to the board: 'I think it is an opportunity for me to retire. I would normally be retiring if this move was not taking place. I am afraid I did not get too much encouragement,'" he says.

But beyond the concrete task of forging new businesses lies the less tangible one of showing that HSBC's management can add value to a diverse set of businesses. It is not just the past that provokes doubt, but the impression that Sir William himself is so dominating a figure that the bank depends too much on his presence. Although he dislikes such talk, at times he appears almost single-handedly to have dragged HSBC into being as a global force.

Critics say that, despite an enormous appetite for work and a formidable grasp of detail, he can be too impatient. They also question whether his gruff exterior and imposing presence have discouraged the emergence of a successor. Until the Bank of England insisted that the jobs were separated, Sir William was both chairman and chief executive of HSBC and, even now, it is difficult to imagine him giving free rein to Mr John Bond, the chief executive.

As the winter sunshine streams in, Sir William reflects on his reputation for ferocity. "I lead a meeting, some would say I dominate a meeting, but let me tell you that, if there is someone in my team who does not agree with what I am saying, I hope I listen to them. I believe I listen to them," he pauses a few seconds. "I don't like a long story. It doesn't impress me having to listen to 15 minutes, and I sometimes say: 'Where's the real meat here?'"

Some colleagues maintain that Sir William has tried to promote a new generation of managers. It did not always work, as he acknowledges. "There was a 10-year period when for one reason or another we did not seem able to get sufficiently good people, but we have got some excellent young people coming up," he says. He insists that he will not delay his departure too long. "There is no way that one man can run a group like this."

"Who knows when it will be time for me to go? Sometime soon, sometime soon I expect. I don't see why I should go on working forever. I believe that, when the moment comes, it will be clear to me, but human beings sometimes don't see it. If I don't, one of my team will say to me: 'Willie, time to go. And I'll be off.'"

OBSERVER

Going forth to multiply

■ If the European Central Bank has yet to pick a figurehead to engrave on its banknotes, it could do worse than Mayer Amschel Rothschild, whose birth 250 years ago in Frankfurt was yesterday being celebrated by a gathering of the clan in the German financial capital.

That at least was the respectful opinion of the town's mayor after listening to the encomium delivered by Lord Jacob Rothschild to the founder of the eminent banking dynasty.

The English Lord related how Mayer Amschel built up a prototypical European Union when he sent out five of his sons on their famous journey from Frankfurt's Jewish ghetto to European capital cities. "He had a vision of a network of European countries collaborating and improving their communal lot," Lord Rothschild recalled, quoting in a quote from an essay penned by his Aunt Miriam. As was readily apparent, the clan's knowledge of the lingo of western Europe's largest country is virtually non-existent, and the group's axis is indeed firmly Anglo-French. The German branch of the family died out in the early years of the century, and the family had no presence in Frankfurt until a small office was opened in 1989,

which today has fewer than 10 professionals on its staff. After Chancellor Kohl and retinue helped crown the proceedings last night at the Jewish museum, it must surely be one of the most fêted outposts in the world.

Programme change

■ The English National Opera is interested in some of your cash - £250,000 to be precise - to help fund this season. Its appeal leaflet promises eight new productions, including Tosca by... Verdi. Oops. A last-minute sticker correctly credited Puccini.

Gaijin clubs

■ What do the J-League - Japan's football league launched last year - and the country's stock market have in common?

It seems neither can thrive without gaijin - foreigner - support.

The J-League is now a huge craze, but its stars are foreign players from South America and Europe. Similarly, the real players behind this year's near 15 per cent rise in the Nikkei stock index are US and European buyers. A record \$12bn in overseas funds was pumped into the Tokyo stock market in January alone. Which craze will pass first? While Japan's football teams are happy to rely on foreign players, some



"How long are we going to boycott Mr Blobby?"

xenophobic financial authorities are starting to worry about what happens when the foreigners stop buying. They can "guide" Japanese institutions when to buy or sell, but gaijin investors can't be pushed around like foreign football stars. Well, not yet, anyway.

Twit to woo

■ Is it wise of Guardian Royal Exchange to drop Royal Exchange from its title? Puzzled investors might wonder whether they are dealing with the insurance group or the newspaper.

Changing its symbol from the GRE logo to an owl might also arouse consternation. The owl is intended to connote "stability, wisdom and friendliness - all of which are very important to us", says the insurer's press release. Let's hope it doesn't also indicate a preference for daytime napping.

Snow kitty

■ It's an ill snow-blizzard which blows nobody any good. Despite the Arctic conditions in the US, at least one industry is thriving. Kitty litter has become such a hot commodity that even America's non-cat lovers can no longer do without it.

People are buying the stuff to spread over slippery sidewalks; apparently it's an environmentally friendly alternative to the more traditional rock salt, itself in short supply.

Drivers are loading up with 50lb sacks of the versatile granules to give their cars better traction in snow. Grocery chains are shifting twice as much litter as normal, according to Supermarket News. And of course, cats are staying indoors.

Blade runner

■ John Major's trip to Washington and the rumour over the Thatcher Collection raises the question of the ownership of gifts received by

national leaders during their time in office.

Harry Truman took a characteristically simple view. Introducing his 1973 biographer Merle Miller to the part of the Truman Library in his native Independence, Missouri, that was devoted to such gifts, he observed: "They were given to the president of the United States, which is what, for a time, I was, but I never thought they were for my personal use."

But there was one exception: a jewelled sword, from King Saud of Saudi Arabia. Truman explained: "I told Boss [his wife] I'd give that to her if she'd kick Bricker [a Republican senator from Ohio] in the ass, but she wouldn't do it. So it's still here."

Stony ground

■ Lloyd's Names have been weeded out in more ways than one according to the latest edition of the Good Gardens Guide.

Among gardens dropped from the new edition are a sprinkling belonging to Lloyd's Names, battered by their recent losses. Commentaries Graham Rose and Peter King gloomily write: "In the mid-1980s were the years of the gales, the mid-1990s may be the years of the Names, forced to reduce expenditure on fine gardens." After all, money doesn't grow on trees...

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EU makes eleventh hour effort on enlargement

By David Gardner in Brussels

Strenuous efforts were being made in Brussels last night to salvage negotiations to get Finland, Sweden, Austria and Norway into the European Union by next year.

The ostensibly final round of talks looked set to move yesterday's midnight deadline into a fifth day today as it seemed certain that Austria and Norway would be unable to agree entry terms by midnight.

The EU member states, meeting internally before presenting the candidates with a final package, were faced with either settling early entry terms for Sweden and Finland or adjourning the negotiations for a few days before reconvening - at full foreign minister level or even at a summit of heads of government.

Mr Klaus Kinkel, the German foreign minister, joined the negotiations yesterday with a plea for flexibility on both sides to get all

four applicants into the Union. Enlargement, he said, was much more important than arguing over access to a few thousand tonnes of fish, an allusion to Spanish demands for access to Norwegian fishing waters and French attempts to restrict access for Norwegian fish to the EU single market, one of the main sticking points in the talks.

Germany, the EU's main paymaster, also wanted that enlargement was part of the arrangement the 12 reached at their 1992 Edinburgh summit, which agreed the 1994-99 EU budget resources, including a doubling of aid to poorer countries like Spain, Portugal, Greece and Ireland.

EU diplomats revealed that Mr Felipe Gonzalez, the Spanish prime minister, had written to Chancellor Helmut Kohl of Germany to spell out Madrid's final demands. Though Spain still insists Norway can not be allowed a better deal on fish than the limited agreement Spain and

Portugal got when they joined in 1986, Mr Gonzalez made clear he will not countenance significant change to the EU's weighted majority voting rules to accommodate the newcomers.

Spain, along with the UK, wants to preserve existing "blocking minority" rights. The European Parliament, wants to make it even more difficult for member states to block Euro-laws. Failure by the 12 to agree on voting could prevent a deal, holding up simmering differences between small and big member states which could alienate public opinion among the small newcomers.

The EU was poised last night to offer Norway a compromise old 11.5m tonnes a year refinery, Elf, in a pact with Thyssen's engineering interests, won the day with an offer to build a new 10m tonnes plant.

Mr Kohl and president Francois Mitterrand were both personally involved in the agreement, which was hailed at the time as the biggest single industrial investment project in the former eastern Germany, and a triumph for the Franco-German alliance and the Treuhander's privatisation programme.

However, Mr Philippe Jaffré, Elf chairman since last August, and who steered the group through privatisation last month, is determined that his company's participation will be reduced as part of cost-cutting measures.

Elf's profits fell more than 80 per cent last year to FF1.1bn (\$180m). Elf said yesterday it was still seeking industrial partners, but refused to comment on the state of negotiations.

Bonn steps up pressure on Elf to build refinery in east

By Christopher Parkes in Frankfurt, John Ridding in Paris and Quentin Peel in Bonn

The German government and privatisation authorities yesterday stepped up the pressure on Elf Aquitaine, the French energy group, to honour a contract to build a showpiece oil refinery in Leuna, eastern Germany.

Failure to go ahead could cost Elf DM1.5bn (\$850m) in breach-of-contract penalties, and oblige it to give back a chain of more than 600 east German petrol stations, warned Mr Klaus Schuch, a senior official of the Treuhander privatisation agency.

Although a Treuhander spokesman stressed Elf had not been served with an ultimatum, and that discussions were continuing, interventions by Chancellor Helmut Kohl and Mr Günter Rexrodt, economics minister, underlined Bonn's anxiety about the project.

The passing of the agreed deadline yesterday for a start on construction work brought the row to a head. Government officials

confirmed that Mr Kohl had written to Mr Edouard Balladur, French prime minister, while Mr Rexrodt said the government insisted Elf should fulfil its contractual obligations.

Mr Rexrodt maintained that the risk of losses in the start-up phase was not a good enough reason for withdrawal since Elf seemed to believe the project would be profitable in the long term.

The French company, committed to two-thirds of the DM4.5bn construction cost in a joint venture with the German Thyssen group, wants to cut its interest to 35 per cent.

It is understood unsuccessfully to have asked BP, Shell and Esso to take a stake. Thyssen has also said it will not increase its holding.

BP was one of the disappointed bidders in the July 1992 sale of the existing, run-down Leuna refinery, which was made more attractive by the inclusion of the profitable Minol petrol station chain, with its estimated 25 per cent share of the east German

PLO calls on US to increase pressure on Israel

By Mark Nicholson in Tunis and David Horowitz in Jerusalem

The Palestine Liberation Organisation is to send envoys to Washington to discuss its "requirements" for resuming peace talks with Israel following the massacre of Palestinians in Hebron.

Senior PLO officials said yesterday the envoys would urge the US to put pressure on Israel to do more to protect Palestinians in the occupied territories.

The PLO has rejected as "inadequate" Israeli prime minister Yitzhak Rabin's decision to disarm a few of the most extreme Jewish settlers.

Mr Yasser Arafat, a PLO spokesman, said: "We want to guarantee the safety and security of our people through measures we are sure the Israeli cabinet can take."

Israel must go further than Mr Rabin's measures and "either disarm the settlers or prevent them from entering Palestinian villages and cities" before the PLO could consider resuming talks.

The PLO was also calling for United Nations observers in the occupied territories, he said. "Either we get guarantees or the Palestinian people will no longer back the peace process."

In Israel, Mr Rabin appealed to the PLO and the Arab states who have suspended peace talks with Israel - Syria, Lebanon and Jordan - to return to the negotiations.

If they did not, he said, they would be handing victory to the extremists, Mr Rabin rejected Palestinian demands for all 120,000 Jewish settlers in the occupied territories to be dismantled.

Mr Rabin said there would be no further compromises. His government had the determination of a handful of extremist leaders, and the disarming and restriction of movement of about two dozen more.

Palestinian protesters continued to defy curfew orders in the West Bank and Gaza and clashed with Israeli troops throughout the occupied territories.

The PLO hopes that the massacre will have a "Sarajevo effect". It believes galvanising international, particularly US, opinion offers the only prospect of further concessions from the Israelis.

Several officials have called for the dismantling of Jewish settlements in Gaza and the West Bank.

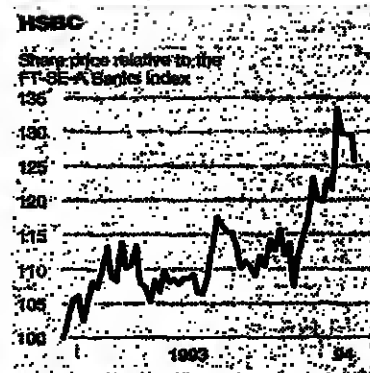
Others are suggesting that a swift resolution to the delayed negotiations on Israeli withdrawal from Gaza and Jericho would not now be enough to win Palestinian support for the broader peace process.

Hebron killings, Page 7

THE LEX COLUMN

HSBC's good deal

FT-SE Index: 3328.1 (+46.9)



Should be made - would be good places to start.

Still, HSBC is not acting alone. The new training and competence standards promised by the Personal Investments Authority - should it ever get off the ground - might help start the necessary revolution in the education of salesmen. Full disclosure of commissions paid to sales agents - forced on a reluctant industry last summer by the government - should make the sale of pensions more transparent.

Moves to tighten methods of calculating the cash value of pension benefits should help ensure a fair deal for consumers determined to transfer out of occupational schemes. That thorny issue is, rightly, in the hands of the actuarial profession. Since pension transfers are still being made despite the evident pitfalls, though, a sense of urgency is clearly required.

PolyGram

While other entertainment companies diversify in response to multimedia mania, PolyGram makes a strong case for the virtues of single-mindedness. Despite delays in releasing hit records and with recession still rippling through its home European markets, PolyGram lifted net income by 31 per cent in 1993. Imagine what would have happened in a good year.

Efficiency gains nudged operating margins up to 12.6 per cent. Weak European sales were offset by a 31 per cent gain in the far east and a strong performance in the rest of the world. After some years of disappointment, PolyGram's US business is also coming good, benefiting from unutilised tax losses. The acquisition of Motown

will further help the cause. Sales of classical music, which account for 12 per cent of revenues, may be increasingly squeezed by cut-price competitors. But the company can more easily resist the trend in pop music where teeny boppers with a craving for the Cranberries have nowhere else to go.

PolyGram's focus grows somewhat fuzzy round the edges with its infant film production business still losing money. It may cautiously explore other ventures in related fields, such as video games and publishing. That threatens to dilute short-term financial returns but may increase PolyGram's industrial appeal as a global software factory. Few investors are likely to sell such a prospect.

House of Fraser

Private investors, by now used to being squeezed in small flotations, will have to get used to being squeezed in large ones if the House of Fraser float is any guide. The Stock Exchange is allowing 3G Warburg to place 75 per cent of the issue - without any claw-back - leaving only around £100m worth in an offer for sale. Yet given the flow of retail funds into the stock market, it is hard for the exchange to argue a lack of interest. The tilt on the playing field seems to have shifted further in the direction of an easy life for lead managers and guaranteed allocations for institutions.

In the circumstances it is fortunate that House of Fraser is unlikely to prove a glittering star. Its large, if not particularly saleable, property portfolio provides a solid asset base. But its growth prospects as a retailer are hardly electrifying. Much-needed remedial work by its new management means that some improvement must be possible, but the company's ability to invest in the business is constrained by its cash flow. The company also faces a struggle to present high quality service at the same time as cutting staff and introducing more part-timers.

Department store retailing is increasingly unfashionable and, while House of Fraser's performance may improve, that of other retailers will improve faster. The Foyeds have also been trying to sell the company for a long time. That argues for a discount to the sector. Presumably such considerations are why Warburg wants to control the float, though if it can tickle the price up in the placing, there will be even less for retail investors to shoot at.

Banks probe risks of hedge funds

Continued from Page 1

be left holding bonds worth much less than the money lent.

In its questionnaire, the Bank of England asks bankers when it comes to systems controls and what kind of dealings they have with hedge funds and in which areas.

How much information is provided by dealers acting on behalf of several funds about how much each particular fund is buying or selling. For example, do banks know the names of all funds to

which they are exposed and their level of gearing?

How they view the smaller funds that might be considered one-person operations when it comes to systems controls and back office capability.

What the characteristics of hedge funds are and whether they can be grouped together as an industry.

On Thursday, when UK government bond prices fell by almost 3 points, the bank stabilised the market with gilt purchases of

less than £100m. Its main fear was that if dealers found they were unable to sell certain less-liquid gilts, they might be forced to mark down their prices dramatically. That in turn, it was feared, might push the gilt market through so-called "support" levels, triggering a further bout of selling and putting additional downward pressure on prices.

Merely the fact that the bank was there as a backstop provided some reassurance to the market, said one dealer.

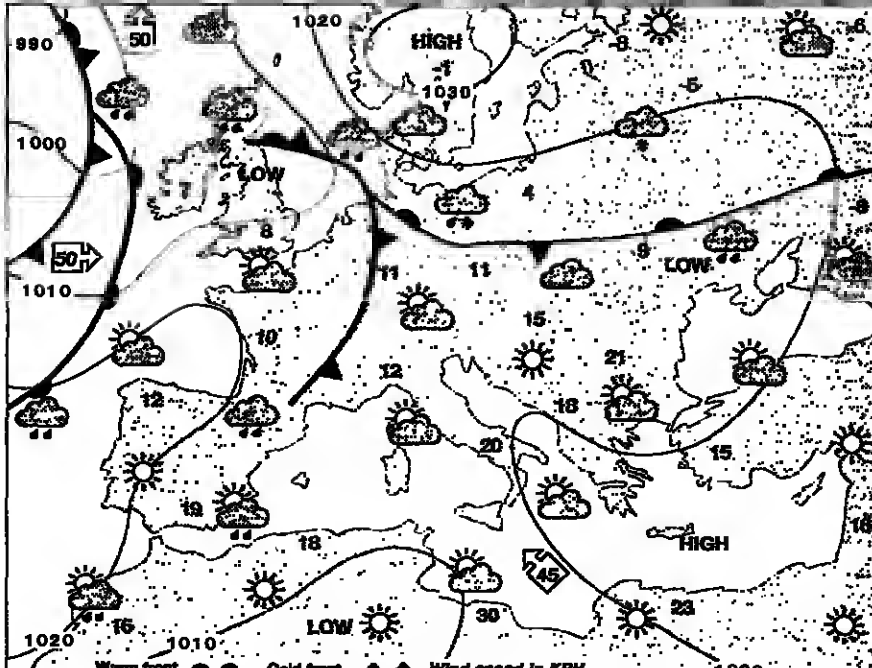
FT WEATHER GUIDE

Europe today

The boundary between wintry conditions in the north and mild weather in the south will stretch from Denmark towards Poland. Denmark, Germany and Poland will be mainly cloudy with rain mixed with snow in the north. Scandinavia will be dry and sunny. The Benelux and the southern British Isles will have clearing skies while Scotland and western Ireland will have cloud and rain. France and Spain will have sunny periods, but the western Mediterranean will have thundery showers. Sunshine will be abundant in Portugal, Greece, Turkey, southern Italy, and the southern Balkans will have sunny periods.

Five-day forecast

As high pressure over Scandinavia moves further east, a westerly air current over the Atlantic will increase, causing changeable conditions in western Europe and later in south-western Scandinavia. Temperatures will be relatively mild. Wintry conditions will persist over north-eastern Scandinavia. High pressure over the Mediterranean will give sunny, settled conditions with pleasant temperatures in south-eastern and south-western Europe.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	18	Belgrade	12	Cardiff	10	Frankfurt	12	Moscow	10
Amsterdam	10	Berlin	12	London	10	Geneva	12	Paris	12
Brussels	12	Stockholm	10	Oslo	10	Warsaw	10	Vienna	12
Copenhagen	10	Helsinki	10	Stockholm	10	Prague	10	Budapest	12
Warsaw	10	Tallinn	10	Stockholm	10	Bratislava	10	Belgrade	12
Zagreb	12	Riga	10	Stockholm	10	Bucharest	12	Sofia	12
Sofia	12	Vilnius	10	Stockholm	10	Skopje	12	Thessalonika	12
Thessalonika	12	Kiev	10	Stockholm	10	Belgrade	12	Atina	12
Atina	12	Moscow	10	Stockholm	10	Belgrade	12	Atina	12
Atina	12	Moscow	10	Stockholm	10	Belgrade	12	Atina	12

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INTERNATIONAL COMPANIES AND FINANCE

Saab cuts deficit in half but still loses SKr1.37bn

By Hugh Carnegie
in Stockholm

Saab Automobile, the Swedish car maker 50 per cent owned by General Motors of the US, yesterday announced its fifth successive year of losses, posting a SKr1.37bn (\$171m) loss before extraordinary items in 1993.

But the result was a 49 per cent improvement on the 1992 loss of SKr2.68bn and included a charge of SKr299m during the start-up and launch of the new Saab 900 model which went on sale last autumn.

Saab, which has talked of a possible return to profit in 1994 for some months, said yesterday the chances of reaching break-even were good.

Sales rose to SKr16.12bn from SKr14.69bn, but this reflected the slide in the value of the Swedish krona during 1993. The number of vehicles sold was down sharply, also for the fifth year in succession, at 73,800, compared with 86,800 in 1992.

Saab, jointly owned by GM and Swedens Saab-Scania, has swallowed more than SKr3bn in new capital from its owners

and accumulated losses of more than SKr11bn since GM bought into the company in 1989 seeking a prestige European marque to extend its range into an up-market niche.

After a radical restructuring, during which it has almost halved its workforce to 7,900, it is pinning its hopes for recovery on the 900 model, coupled with improving conditions in its three main markets - Sweden, the US and Britain.

Saab has set a tough target of selling 87,000 vehicles from its 9000 and 900 ranges this year but says this is realistic.

Debts push Vard deeper into the red

By Karen Fosell in Oslo

Vard, the Norwegian cruise and ferry group, yesterday reported substantially heavier losses for 1993 with a pre-tax deficit of Nkr361.04m (\$44.75m), against Nkr229.47m a year earlier.

Vard blamed its debt burden on a substantially weaker performance by Klostet Cruise, its cruise unit, and heavier foreign currency losses.

Group operating profit rose to Nkr588.86m from Nkr459.88m. Revenue increased to Nkr7.3bn from Nkr5.47bn, but operating expenses swelled to Nkr6.92bn from Nkr4.67bn following a jump in depreciation to Nkr494m from Nkr341m.

Vard charged net financial items and foreign currency losses of Nkr941.73m against the previous year.

Miami-based Klostet Cruise said net contributions from the ships in its fleet rose to \$294m from \$248m in the previous year, but that financial expenses had increased to \$89.1m from \$56.3m. Net losses, before currency adjustments and other items, more than tripled to \$19.5m from \$6.4m.

Klostet's Norwegian Cruise Line's load factor for 1993 was very satisfactory, Vard said, and surpassed the previous year.

However, prices achieved were not sufficient to compensate fully for larger interest costs and depreciations.

Royal Viking Line's load factor was unchanged but prices fell due to stronger competition. Royal Cruise Line improved load factors and prices, but this was undermined by maintenance and repair costs. A plan to sell Royal Cruise and Royal Viking for \$565m fell through earlier this year.

The ferry division saw net profits plunge to Nkr78.6m from Nkr123.7m, despite a rise in operating income to Nkr772.6m from Nkr672.8m.

Operating expenses rose to Nkr458m from Nkr342.3m. Vard said the division's results were, however, satisfactory.

Auctioneer's shadow falls over Bull

John Ridding reports on the French computer maker's uncertain future

The man in the red jacket hid Ffr3,000 (\$500) for the laser harcode machine. The woman in the blue jumper bought the chairs. Piece by piece, the contents of Groupe Bull's computer plant in Villeneuve D'Ascq on the outskirts of Lille in northern France were sold off to a packed auction room of businessmen and the local public.

The closure of the Bull plant and last week's auction of its entire contents demonstrates the struggle faced by the French state-owned computer group as it seeks to restructure. The factory, designed to produce 550,000 computers each year, never achieved the target and failed to break even.

Bull's mounting losses, which have exceeded Ffr15bn over the past four years, and the government's order that it must stem the flow of red ink in preparation for privatisation, meant the plant could no longer be supported.

If the fate of the plant has now been sealed, the moment of truth is fast approaching for the group as a whole. A recovery plan, finalised by Mr Jean-Marie Descarpentries, chairman, is due to be presented to Brussels within a few days. Failure of the plan, or its rejection by the European Commission, which has frozen Ffr2.5bn of state aid to the company and is investigating a further Ffr7bn injection pledged last year, could push Bull the way of its factory.

Mr Descarpentries' recovery strategy, drawn up since he took over the group in October, is based on several elements.



Jean-Marie Descarpentries: says profits possible in 1995

The principal ingredients include a reorganisation of the group's divisions to increase efficiency and productivity and to enable greater responsiveness to customers, a series of cost-cutting measures, and plans to privatise the group as quickly as possible.

On the first count, Mr Descarpentries has split the group's operations into separate profit centres. Reporting procedures have been tightened and simplified and accountability has been increased. The performance of each of the group's six product and service divisions is to be assessed at the end of June. Those which fall short of expectations will face management changes, according to the Bull chairman.

Costs are to be cut by the reduction of staff numbers and administrative charges. A plan to reduce the company's head-

count by 6,500 in 1993 and 1994 is to be completed by the end of June when a decision will be taken on further job cuts. The company's 24 sites in Paris are to be combined into just two main offices, creating annual savings of about Ffr530m.

It is in the privatisation plans, however, that Mr Descarpentries is proposing some of his boldest steps. He says the state's 76 per cent shareholding could be reduced to below 50 per cent this year as a result of increased shareholdings by employees and the sale of a stake of between 15 and 20 per cent of the group to an industrial partner.

Mr Descarpentries says that talks are under way with potential investors. Candidates include NEC of Japan, which already holds 4.4 per cent of Bull and which works with Bull on several joint projects, including the development of mainframe business computers.

The sale of a substantial stake in the French computer group to a foreign company would be politically sensitive, but could receive the blessing of Mr Gérard Longuet, the industry minister, who has set a target of two years for Bull to move to the private sector. A deepening of the alliance between Packard Bell of the US and Bull's Zenith Data Systems personal computer operation is also a possibility.

Partners will only be enticed, however, if there is some prospect of a return on their investment. Bull's record of failed recovery plans, the severity of competition in the interna-

tional PC market and the scale of the changes which need to be wrought at the French group, demonstrated by losses last year of Ffr3.42bn, place a heavy burden of persuasion on the Bull chief.

He argues that it is possible to return Bull to profit during 1995 and that this can be achieved without a fire sale of loss making businesses. "We must break the vicious circle of closing operations and losing sales."

He points to some encouraging signs. January sales were up by 23 per cent, year on year. Even ZDS, the source of much of the company's losses since it was acquired in 1983, is experiencing an improvement in trading results, the company says. The increased concentration on services and consultancy activities will, according to Bull, increase its presence in higher value added business.

Intending industry partners will be hard, persuading Brussels to accept Bull's recovery plan could be even more difficult. Mr Karel Van Miert, EC competition commissioner, has indicated he will take a tough line, demanding proof of a viable recovery plan.

If the capital increase does go through it is sure to be for the last time. For Mr Descarpentries, therefore, the stakes could not be higher. All of his proposals, from improving productivity to the search for industrial partners, must fit together. Failure on any of the fronts of his battle plan could spell disaster.

Midland Bank ahead four-fold

By John Gapper and Alison Smith in London

Midland Bank, the UK high-street banking arm of HSBC Holdings, quadrupled pre-tax profits to \$244m (\$1.33bn) last year, against \$294m in 1992, despite weak demand for loans and a decline in fees and commissions.

Operating profit, before provisions for bad and doubtful debts, more than tripled to \$723m, from \$229m, largely because of very strong income from treasury and capital markets trading activities.

Sir Brian Pearse, who is retiring at the end of this month as chief executive of Midland, said the bank "continues to operate under very difficult and trying circumstances in a market that is over-supplied".

The specific bad debt charge against lending in the UK fell by £118m to £447m, but this was offset by a £37m charge for loans to less developed countries, and a £50m general provision against future corporate failures.

The worst bad debt experience was in overseas commercial banking, where the charge rose by £103m to £131m. Bad debts in France and Germany rose "significantly" due to falling property values in France and continuing recessions.

Sir Brian said that UK complaints fell by 40 per cent after efforts to consult customers on the services they wanted.

First Direct, Midland's telephone banking subsidiary, increased its customer base to more than 500,000 accounts by the end of the year. However, it only achieved a trading

profit to December after monthly losses before that.

Sir Brian said that First Direct had not yet achieved the same level of cross-selling financial products as mortgages. He believed this was mainly because it had not yet made a strong marketing and sales effort with customers.

Midland paid a dividend of £403m to HSBC from net profits of £646m after tax and minorities. Retained profit of £243m, against £102m, boosted the ratio of core capital to assets weighted by risk to 6.5 per cent, against 5.7 per cent.

Total assets rose to £76bn, from £71bn, despite a fall in loans and advances to £38.6bn, from £42.5bn. There was a strong increase in holdings of debt securities from £5.8bn to £13bn.

Billiton hit by restructuring costs

By Kenneth Gooding,
Mining Correspondent

Restructuring costs at Billiton, the mining and metals business within the Royal Dutch/Shell group, sent its net loss up last year from \$75m in 1992 to \$142m.

Gencor of South Africa is at present negotiating to buy Billiton.

During 1993 Billiton decided to close underground mining operations at Les Mines Selbaie in Canada and to shut its

Toronto office. Several downstream businesses in the Netherlands were sold in line with Billiton's strategy to focus on mining and resource operations.

There was an operating loss of \$17m for 1993 with first-half profits eroded by weak metal prices.

The mining business suffered an operating loss of \$14m, downstream operations lost \$6m and miscellaneous items, such as currency exchange losses and head office costs,

accounted for a \$15m loss. The marketing and trading business made a profit of \$28m.

Gencor announced last May it hoped to reach agreement to buy the Billiton assets by the end of 1993 but the negotiations proved more difficult than expected.

Mr Brian Gilbertson, Gencor's chairman, said last week that chances of a successful conclusion were "better than ever" but Gencor would "walk away from the deal" if it was not sealed by June 30.

PolyGram ahead 21% despite shortage of hits

By Michael Skapinker, Leisure
Industries Correspondent

PolyGram, the recorded music company, yesterday announced net income for 1993 up 21 per cent to Ffr1.61m (\$230m), despite a paucity of new hits.

The company, 75 per cent owned by Philips of the Netherlands, said strong performances in the Far East and North America compensated for a relatively weak showing in Europe, its largest market.

European operating income rose 7 per cent to Ffr665m.

North American operating income doubled to Ffr104m and the Far East and Japan enjoyed a 23 per cent increase to Ffr197m.

Net sales were up 12 per cent to Ffr17.4bn. The total gross dividend for the year is Ffr0.75, up 15 per cent.

Pop music sales grew by 13 per cent. Classical sales, however, were at a similar level to 1992.

Mr Alain Lévy, chief executive, said budget labels were pushing classical music prices down. He conceded there was a

danger that classical recordings might come to be viewed as commodity items. He said PolyGram hoped to resist the trend with classical releases from well-known artists such as Anne Sophie Mutter and Kiri Te Kanawa.

PolyGram's film interests accounted for 9 per cent of total revenues. The company released 13 films last year and intends to release 15 this year. Mr Lévy said PolyGram's film interests had so far produced only "average results" but said the company had

learned more about the industry and was on track to producing better results.

Mr Lévy said he did not believe that multi-media and interactive entertainment would take hold as quickly as some analysts and industry insiders thought.

He said that while the technology would appear in homes, those who believed its widespread introduction was imminent failed to take account of consumers' desire for passive entertainment.

Lex, Page 18

NEW ISSUE

This announcement appears as a matter of record only.

JANUARY 1994

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Chief Executive Officer

Financial results for Realkredit Danmark Group

	Realkredit Danmark Group		Realkredit Danmark A/S		ED Holding Group		ED Holding A/S
	1993	1992	1993	1992	1993	1992	1993
Highlights from the profit and loss account							
Net income from interest and fees	3,450	2,569	3,429	2,546	3,457	2,569	7
Value adjustments	1,205	(491)	1,247	(497)	1,205	(491)	-
Other income from ordinary activities	109	112	45	53	109	112	-
Administrative costs etc.	(791)	(793)	(711)	(733)	(791)	(793)	-
Depreciation of assets	(89)	(50)	(48)	(32)	(89)	(50)	-
Write-downs and provisions for losses on loans	(2,404)	(2,413)	(2,403)	(2,380)	(2,404)	(2,413)	-
Value adjustments of subsidiary interests	(28)	(36)	(38)	(66)	(28)	(36)	1,472
Ordinary profit	1,522	(1,108)	1,520	(1,103)	1,529	(1,108)	1,479
Extraordinary items	(62)	(183)	(48)	(172)	(62)	(183)	-
Profit before tax	1,470	(1,291)	1,471	(1,281)	1,477	(1,291)	1,479
Tax	(1)	2	1	(1)	(1)	2	-
Minority interests	3	7	-	-	3	7	-
Profit for the year	1,472	(1,322)	1,472	(1,282)	1,479	(1,282)	1,479
Key balance sheet figures							
Assets							
Cash in hand and outstanding amounts at other credit institutions	28,114	13,079	28,305	13,339	28,261	13,156	87
Lending operations	303,596	307,089	303,406	308,673	303,596	307,089	-
Security portfolio	48,686	14,059	48,738	14,105	48,686	14,056	8,966
Other assets	3,886	3,969	3,766	3,836	3,886	3,969	-
Total assets	382,281	338,196	382,238	338,153	382,386	338,276	8,063
Liabilities							
Debt to other credit institutions	3,550	331	3,550	331	3,550	331	-
Mortgage bonds and other mortgage-backed securities	350,848	314,329	350,848	314,329	350,848	314,329	-
Other liabilities	15,912	12,906	15,878	12,863	15,917	12,988	-
Subordinated capital	3,000	3,000	3,000	3,000	3,000	3,000	-
Shareholders' equity	8,965	7,630	8,965	7,630	8,963	7,630	8,063
Total liabilities	382,281	338,196	382,238	338,153	382,386	338,276	8,063

From Monday, 21 March, you are welcome to call the Customer Services Department to request the annual report. The telephone/fax numbers are given below.

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INTERNATIONAL COMPANIES AND FINANCE

Compaq plans \$20m expansion in Texas

By Louise Kohoe
in San Francisco

Compaq Computer plans to spend \$20m expanding its manufacturing facilities in Houston, Texas. It is adding seven new production lines for desktop and portable personal computers to increase production capacity by 41 per cent. The move reflects rapid growth in PC demand and Compaq's rising market share.

The US expansion follows the recent announcement that Compaq plans to broaden its manufacturing operation in Bracknell, Scotland, with a \$10.5m expansion. Last year Compaq also opened a new plant in Shenzhen, China. The company is shortly expected to announce expansion of its production facilities in Singapore. The Houston expansion marks the return of portable personal computer production to the US for the first time in two years. In 1991, the US government imposed trade sanctions on Japanese active matrix flat panel displays, used in notebook computers. As a result, Compaq and other US manufacturers shifted manufacturing off-shore to avoid prohibitive 68 per cent dumping duties.

Last March, the US government lifted the sanction, enabling Compaq to produce portable PCs in the US cost effectively.

However, Compaq officials said their decision to expand US production was based largely on productivity improvements and cost reductions at the Houston plant. The company has doubled its production per square foot in the past two years.

IBM France, the French unit of International Business Machines, expects stable turnover in 1994, compared to 1993, Reuter reports from Paris.

Exports continued to suffer from a price war which was undermining a rise in demand, said the company. Turnover fell 15.7 per cent in 1993 to FF30.9bn (\$5.3bn).

Turkish privatisation hit by devaluation

Motor company Tofas faces more than one challenge, writes John Murray Brown

A devaluation is just about the last thing an international share issue wants weeks ahead of launch date. But for Tofas, the Turkish motor group, adverse currency movements are simply the latest in a long line of problems.

The Turkish government is selling its 21 per cent stake in Tofas, in which Fiat of Italy and the Turkish Koc group are major shareholders. Brokers expect the issue to be at a significant discount to the market.

The international equity offering is for 20m global depositary receipts (GDRs) and American depositary receipts and is expected to raise between \$400m-\$450m. It will be followed by a smaller domestic offering. Pricing is due to take place tomorrow.

J Henry Schroder Wagg and Lehman Brothers are joint lead managers and joint global co-ordinators, with Daiwa, Goldman Sachs, Morgan Stanley and UBS as co-leads. If successful, the offering could revitalise Turkey's privatisation programme and open the way for the disposal of a range of

Turkish state monopolies in the next two years. Tofas is Turkey's largest car producer with 25 per cent of the local market. Total car sales grew from 118,000 in 1988 to 311,000 in 1992. Net sales were \$1.05bn in 1992, and \$1.1bn for the first nine months of 1993.

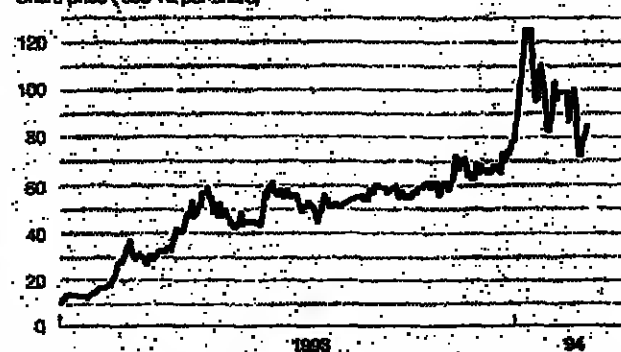
But in many ways the company is an uncomfortable relic of Turkey's protectionist past. It produces out-of-date models behind high tariff barriers, supplied by local components manufacturers in which the company is also controlling shareholder.

Tofas is a manufacturing company with its distribution business, Turk Oto Ticaret, separately listed on the Istanbul stock exchange. The issue prospectus goes to lengths to dispel concerns about possible transfer pricing between the manufacturing and distribution businesses.

Tofas is in a curious position. Once import tariffs are scrapped in line with the customs union with the European Union in 1995, there is little to stop Fiat importing direct from Italy instead of sinking further

Tofas

Share price (000 TL per share)



Source: FT Graphics

funds into its Turkish subsidiary. Making matters even more precarious, the licensing agreement with Fiat, on which Tofas is dependent for technology and design, expires in 1997.

There are also doubts about the relationship between the Turkish government and Fiat. The government was forced to cancel plans for a full public listing in New York, after Fiat intervened. Both Fiat, with 42 per cent, and Koc, with 34 per cent, were known to have res-

ervations, particularly over the rigorous disclosure demanded by the US Securities and Exchange Commission.

The present international share issue is a more restricted private placement with institutional investors, with GDRs issued in European markets. A small amount of stock will be floated in a secondary offering in Istanbul, where Tofas is listed.

Last month's 12 per cent devaluation of the Turkish lira

has cast further doubt over the sale. Tofas is vulnerable to currency instability since its recent profits performance has been fuelled in large part by the availability of easy credit. With interest rates pushed higher to defend the currency, Turkish hire purchase costs have rocketed and consumer demand fallen.

The currency turbulence has meant the banks are unwilling to underwrite the Turkish offering, which is being allotted in a "best offer" basis.

A quarter of Tofas's 8,500 workforce is being stood down for a month as part of a production slowdown. But the company is planning to spend \$500m to increase installed capacity to 300,000 cars by the end of 1996. There are also plans for new lines. At the same time, the industry is lobbying for a five-year reprieve to the customs union deadline.

Reprieve or not, motor industry analysts anticipate shrinking market shares for local car producers, reduced margins, and lower real earnings, as imports increase.

Panamco to increase stake in subsidiaries

By Damien Fraser
in Mexico City

Panamco Beverages (Panamco), Latin America's largest soft drinks bottler, wants to buy minority interests in its Mexican subsidiaries.

If the offers are accepted, the purchase price would be about \$500m. It will be funded by \$100m in cash and a bank loan.

Panamco is the second-largest Coca-Cola bottler in the world, with annual sales of \$870m in 1992. It plans to refinance part or all of the purchase with a public offering of its 'A' stock. Panamco directors have already agreed to tender their shares in the subsidiaries and stand to gain \$50m from the transaction.

Panamco has significant

interests in Mexico, Brazil and Colombia, controlling about 50 operating subsidiaries in the three countries. Coca-Cola owns about 10 per cent of the company, but has not made it an anchor bottler.

Panamco intends to buy up to 46 per cent of Azteca, its holding company for Mexican operations, and outstanding shares held by minority investors in subsidiaries controlled by Azteca. It said the price offered for shares in Azteca and subsidiaries is equal to 13 times 1993 earnings. Neither Azteca nor subsidiaries has publicly traded stock.

"This is an intelligent way for Panamco to take a bigger stake in their fastest growing market," said William Scovin, an analyst with Nomura, the brokerage.

Kone close to finalising sale of cranes unit

By Christopher Brown-Humes
in Stockholm

Kone, the Finnish elevators group, is close to finalising the sale of its cranes unit as part of its strategy of focusing on core business. The company is not identifying the buyer until discussions are complete.

Kone Cranes is a world leader in industrial cranes and ship-to-shore cranes. Since it was formed in 1990, the operation has grown to span 40 companies in 20 countries.

Analysts believe the unit could fetch up to Fm1bn (\$1.1bn), although it is hard to value because the group does not specify profit figures for individual operations.

Kone Cranes had sales of Fm1.9bn in 1993, up 25 per cent.

Recession cuts profit at Esab to SKr82m

By Hugh Carnegie
in Stockholm

Esab, the world's leading producer of welding equipment, yesterday reported a near 50 per cent slide in 1993 profits after financial items to SKr82m (\$10m), as income fell from recession-hit Europe and a cooler Brazilian market.

But the Swedish group said 1993 profits had been inflated by a one-off profit of SKr99m. It said income in the fourth quarter of 1993 accounted for more than half the income for the full year, and predicted a strong improvement in 1994 as demand in some European countries and Brazil had stabilised and growth continued in North America.

Sales in 1993 rose to SKr7bn from SKr6.4bn, and orders

grew to SKr7.13bn from SKr6.4bn. But Esab said these were distorted by the sharp fall last year in the Swedish krona; taking this into account, sales fell by 4 per cent. The company is holding its dividend at SKr3.25 per share.

Esab has faced a sharp decline in the main western European markets for welding equipment - Germany and Italy - since 1991. But it expanded in Russia and eastern Europe, acquiring 70 per cent of the Czech republic's leading welding company, Zetelzary-Vamberk.

In January it also signed contracts to set up two joint ventures in China, the largest a plant in Shanghai which will have a production capacity in 1995 of 30,000 tonnes of welding electrodes.

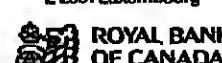
Notice to Holders

NOTICE IS HEREBY GIVEN that, with effect from 21st March 1994, Internationale Nederlanden Bank (Luxembourg) S.A., Luxembourg (formerly NMB Bank (Luxembourg) S.A.), will resign as Sub-Paying Agent on the following issues:

Esab of Sweden, London Branch ECU 120,000,000 Floating Rate Depository Receipts due 1997	Hydro-Quebec C\$100,000,000 11 1/2% Debentures Series HV due April 17, 2001
The BOC Group, Inc. U.S. \$150,000,000 7 1/2% Guaranteed Bonds due 1997	IBM International Finance N.V. ECU 125,000,000 9% Notes due 1994
Bradford & Bingley Building Society £200,000,000 Floating Rate Notes due 1996	Inter-American Development Bank Can \$150,000,000 10 1/2% Bonds due 1996
Bradford & Bingley Building Society £700,000,000 Floating Rate Notes due January 1995	Leads Permanent Building Society £100,000,000 The Municipality of Metropolitan Toronto
Bradford & Bingley Building Society £150,000,000 Floating Rate Notes due 1997	Can \$125,000,000 9 1/2% Debentures due May 14, 2002
Bradford & Bingley Building Society £15,000,000 Floating Rate Notes due 2001	Nettelwede Anglia Building Society U.S. \$150,000,000 Floating Rate Notes due 1995
British Gas International Finance B.V. Can \$200,000,000 9 1/2% Guaranteed Bonds due 2001	Nordbank U.S. \$150,000,000 11 1/2% Notes due 1995
British Gas International Finance B.V. U.S. \$1,500,000,000 Zero Coupon Guaranteed Bonds due 2021	Nordbank U.S. \$150,000,000 Floating Rate Notes due 1995
British Gas International Finance B.V. U.S. \$250,000,000 8 1/2% Guaranteed Bonds due 1997	Monte Hydro A.S. U.S. \$150,000,000 8 1/2% Bonds due 2001
British Gas International Finance B.V. ECU 150,000,000 8 1/2% Guaranteed Bonds due 1997	Oesterreichische Kontrollbank A.G. U.S. \$250,000,000 7 1/2% Guaranteed Notes due 1996
British Gas International Finance B.V. £150,000,000 12% Guaranteed Notes due 1996	The Paninor and Oriental Steam Navigation Company £50,000,000 14 1/2% Notes due 1995
CARIPLO - Cassa di Riforma delle Province Lombarde S.p.A., London Branch Can \$150,000,000 8 1/2% Depository Receipts due 1997	The Procter & Gamble Company Can \$200,000,000 10 1/2% Bonds due August 15, 2001
City of Stockholm Can \$150,000,000 10 1/2% Notes due 1996	Province de Quebec Can \$250,000,000 8 1/2% Notes due 2001
City of Vancouver Can \$40,000,000 10 1/2% Bonds due July 15, 2001	Province de Saskatchewan Can \$250,000,000 10 1/2% Notes due 1994
Commonwealth Bank Australia A\$100,000,000 11 1/2% Bonds due 2001	Prudential Funding Corporation Can \$250,000,000 8 1/2% Notes due December 18, 1995
The Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe ECU 1,100,000,000 9% Bonds due 2001	Prudential Funding Corporation Can \$125,000,000 8 1/2% Notes due 1997
Credit Commercial de France Can \$50,000,000 10 1/2% Notes due 1994	Radcliff Starting Funding PLC £125,000,000 10 1/2% Guaranteed Bonds due 2001
Credit Commercial de France Can \$150,000,000 10 1/2% Notes due 1996	Reed Publishing (USA) Inc. U.S. \$25,000,000 9% Guaranteed Bonds due 1996
A/S Esbjerg Can \$100,000,000 7 1/2% Notes due 1997	The Regional Municipality of Hamilton-Wentworth Can \$75,000,000 Retractable Term Debentures due June 6, 2002
Esso-Quebec O.Y. U.S. \$70,000,000 Floating Rate Notes due 1994	Royal Bank of Canada Can \$150,000,000 9 1/2% Deposit Notes due January 7, 1997
Ford Motor Credit Company U.S. \$200,000,000 8 1/2% Notes due 1994	State Bank of New South Wales Limited A\$100,000,000 11 1/2% Bonds due 2001
Ford Motor Credit Company £150,000,000 12 1/2% Notes due June 12, 1995	Total Can \$100,000,000 10 1/2% Notes due 1996

All holders of Coupons, Notes, Bonds, Depository Receipts and Debentures of the above mentioned issues should note that the new Sub-Paying Agent in Luxembourg will be:

Banque Generale du Luxembourg S.A.
27, Avenue Montigny
L-2551 Luxembourg



71 Queen Victoria Street, London EC4V 4DE
Telephone: 071-488-1188 Telex: 929111 Facsimile: 071-329-6142

U.S. \$125,000,000

BANK OF BOSTON
CORPORATIONFloating Rate
Subordinated Notes Due 1998
Issued 26th August 1993

Interest Rate 3.8% per annum
Interest Period 28th February 1994
31st May 1994
Interest Amount per U.S. \$50,000 Note due 31st May 1994 U.S. \$485.56

CS FIRST BOSTON
Agent

U.S. \$150,000,000



R&I Bank of Western Australia Ltd

(Incorporated with limited liability in the State of Western Australia)

Guaranteed Floating Rate Notes Due 1994

unconditionally guaranteed by
The Treasurer of the State of Western Australia
(under Section 33 of the R&I Bank Act 1990)

For the interest period from March 1, 1994 to September 1, 1994 the rate has been determined at 4.025% per annum. The amount payable on September 1, 1994 per U.S. \$10,000 and U.S. \$250,000 principal amount of Notes will be U.S. \$207.64 and U.S. \$5,190.97 respectively.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

March 1, 1994

CITICORP
MORTGAGE SECURITIES, INC.REMIC Pass-Through Certificates, Series 1987-13
US\$57,057,000 Initial Stated Amount
of Class A-1 Citicertificates

For the period 1st March, 1994 to 1st June, 1994 the Class A-1 Citicertificates will carry an interest rate of 4.50% per annum with an interest amount of US\$2.78 per US\$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st June, 1994. The Stated Amount of the Citicertificates outstanding will be 24,750,010.70% of the Initial Stated Amount of the Citicertificates, or US\$247.51 per individual Citicertificate until 1st June, 1994.

1st March, 1994

Bank of America NY & SA,
London - Agent Bank

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KIDDER, PEABODY IS A SUBSIDIARY OF GENERAL ELECTRIC CO. USA.

INTERNATIONAL COMPANIES AND FINANCE

Kmart slips further into the red in final quarter

By Richard Tomkins
in New York

Kmart, the US retailing group that ranks as the world's second biggest, has ended a dismal year by reporting after-tax losses of more than \$1bn for the fourth quarter to January.

Its shares, up 8% at \$19.4 in early trading, were close to their 12-month low.

Net losses of \$1.19bn for the quarter, compared with net profits of \$335m last time.

For the year, Kmart reported net losses of \$974m, against net profits of \$841m last time on sales of \$34.2bn, against \$31bn.

A big factor in both sets of figures was a pre-tax restructuring charge of \$1.3bn announced two months ago.

However, the company acknowledged that the main reason for the poor financial performance in the quarter and the year was an erosion in its

gross margin to 24.5 per cent, from 26.5 per cent last year, caused by the highly competitive conditions in the retail market.

During the year, Kmart moved to counter five previous years of stagnant earnings by embarking on a radical restructuring.

It sold its loss-making Pace Membership Warehouse and PayLess Drug Stores chains, announced an extensive relocation of its discount stores, embarked on the rapid expansion of its new Super Kmart format, and prepared to sell minority stakes in its specialty retailing operations.

The shares have responded poorly to the moves because the market is not yet convinced that Kmart has found a formula that will restore earnings growth. It is suffering tough competition in a saturated market, particularly from its bigger rival Wal-Mart.

Kmart said yesterday that if continuing operations were split from discontinued operations and all the restructuring provisions were stripped out, it would have reported net income of \$534m for the full year.

However, this would still have represented a decline from \$885m the previous year on the same basis.

In the fourth quarter, sales rose to \$10.27bn from \$9.44bn excluding the discontinued operations.

Excluding the restructuring provision and other non-recurring charges, net income from continuing operations fell to \$247m from \$501m, or to 53 cents a share from \$1.07.

After all charges, the net losses of \$1.19bn translated into losses of \$2.61 a share, compared with earnings per share of \$1.15 last time.

Aetna hit by claims from California earthquake

By Richard Waters
in New York

Aetna, the US composite insurer, warned yesterday that the southern California earthquake and winter storms would cost it \$130m or \$1.07 a share in the current quarter.

The company put its losses from the earthquake at \$80m, making it one of the largest losses yet announced by a US insurer.

In all, the cost to the insurance industry of the earthquake is expected to reach \$2.5bn.

The expected earthquake losses, which are after reinsurance and tax, resulted from 2,500 claims in the affected area, the company said.

It added that it expected to receive \$1.0m claims from the winter storms of January and early February, with net losses put at \$40m.

As a result of these first-quarter items, Aetna said it would drop its earnings forecast for the year to \$5.65 a share, from \$6.50 a share.

Viacom lifted by rise in European MTV subscribers

By Richard Waters
in New York

A sharp rise in the number of European subscribers to Viacom's MTV music video network was behind an 11 per cent advance in operating earnings at the US cable television group last year.

The company, which won a \$10bn takeover battle for Paramount Communications a fortnight ago, benefited from a 25 per cent fall in its debt service costs, to \$145m, and a reduction in its effective tax rate to 43 per cent from 55 per cent.

These factors contributed to net income for the year of \$158.2m or \$1.31 a share, up from \$98m or 41 cents in 1992. By the end of the year, MTV Europe had 58.3m subscribers, up from 43m, 12 months earlier. With other parts of the MTV Networks division, including Nickelodeon, recording only modest gains in subscriber numbers, the European

performance largely accounted for the division's 27 per cent revenue increase, to \$677.9m from \$533.4m.

Operating earnings reached \$239.7m, up from \$172.9m.

Showtime, Viacom's other network operation, recorded a 5 per cent rise in revenues, to \$543.5m, while operating earnings slid to \$32.3m from \$35.2m.

Earnings fell in the cable television division, due to new regulations on rates charged to subscribers. Revenues rose 1 per cent to \$416m, while operating earnings fell 9 per cent to \$110m.

For the final three months of the year, Viacom's net income was \$13.6m or 11 cents a share, after a \$12.8m dividend on convertible stock issued to Nyx and Blockbuster Entertainment, which had backed the Paramount bid.

This compared with net income of \$11.6m or 10 cents a year before.

Federated Stores advances 39%

By Richard Tomkins
in New York

Federated Department Stores, US owner of Bloomingdale's and several other department store chains, yesterday reported that net income before extraordinary items had risen by 39 per cent to \$146m for the fourth quarter to January.

This was in spite of a fall in gross margins.

Federated, like other US store groups, has been forced to cut prices in the intensely competitive retailing environment. But the group has increased profits by selling

more goods and cutting costs.

It is trying to secure profits growth for the longer term through its attempt to gain control of the rival R.H. Macy department store group, in Chapter 11 bankruptcy protection.

Federated's fourth-quarter turnover rose by 3.8 per cent to \$2.25bn, with same-store sales rising 2.1 per cent. Helped by a gain of \$24m from the favourable settlement of disputed bankruptcy claims, the company increased operating profits by 29 per cent to \$287.6m.

Net income of \$146m, compared with \$105.1m or \$99m after extraordinary items. Earnings per share were \$1.16 against 83 cents, or 78 cents after extraordinary items.

Full-year turnover rose by 2.1 per cent to \$7.23bn while net income before extraordinary items rose by 48 per cent to \$196.8m. After extraordinary items it rose to \$193.2m from \$133m.

Mr Allen Questrom, chairman and chief executive, said this year's emphasis would be on accelerating sales growth and continued cost-cutting.

Olivetti shifts Asia Pacific base to China

Olivetti, the Italian computers group, is to lift its presence in the rapidly growing Chinese market by making Beijing the base for all its Asia Pacific operations, writes John Simkins in Milan.

These operations have previously been directed from the group's Ivrea headquarters. The company plans to focus within China on bank automation.

Olivetti is the leading European producer in this area. Olivetti has been active in China since the mid-1980s through offices in Beijing and Shanghai, and a regional base in Hong Kong.

A joint venture with the Industrial Commercial Bank of China will produce automatic teller machines for the Chinese market. Olivetti will have a 40 per cent stake in the operation.

Iberdrola climbs 12% despite weak peseta

By David White in Madrid

Iberdrola, Spain's largest private-sector electricity generator, showed an increase of almost 12 per cent in its 1993 pre-tax profit to Ptas1.1bn (\$650m).

This was in spite of Ptas49m in foreign exchange losses caused by the depreciation of the peseta last year.

Extraordinary gains of Ptas1.1bn included the sale of shares in Fecsa, the Catalan utility, and other assets to the state-controlled Endesa group as part of a reorganisation plan for the Spanish electricity sector.

Turnover rose 2 per cent in the year to Ptas767.6bn. The company's hydroelectric output recovered 42 per cent from the previous year's abnormally low level but was still below average.

Nuclear energy accounted for 57 per cent of total output.

● Sonae Group, Portugal's biggest private-sector conglomerate, more than doubled net profits to Es4.9bn (\$38.2m) for 1993 on turnover ahead 9 per cent at Es226bn, writes Peter Wise in Lisbon.

Sonae Distribuc o, which takes in the Modelo discount supermarket chain and Continente hypermarkets, achieved a 21 per cent rise in sales to Es202bn and a 7 per cent increase in net profits to Es13.7bn.

However, the group's industrial operations, centred on wood laminate production, registered a net loss of Es3.7bn, compared with a loss of Es3.4bn last time.

Mr Belmiro de Azevedo, president, announced a dividend of Es150 a share for Sonae Investimentos, the group holding company, compared with Es50 in 1992. The dividend for Modelo was fixed at Es140 a share and at Es240 for Continente.

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Notice is hereby given that for the Interest Period 28th February, 1994 to 31st May, 1994 the Notes will carry a Rate of Interest of 4.125 per cent per annum with an Amount of Interest of U.S. \$105.42 per U.S. \$10,000 Note and U.S. \$1,054.17 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 31st May, 1994.
Bankers Trust Company, London Agent Bank

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Alliance & Leicester Building Society
£200,000,000
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Bankers Trust Company, London Agent Bank

U.S. \$300,000,000
The Tokai Bank, Limited
Subordinated Floating Rate Notes Due 2000
Interest Rate 4.05%
Interest Period 28th February 1994 to 31st May 1994
Interest Amount due 31st May 1994 U.S. \$102.50 per U.S. \$10,000 Note U.S. \$1,025.00 per U.S. \$100,000 Note
CS First Boston Agent

First Interstate Bancorp
U.S. \$60,000,000
Floating Rate Notes due 1996
For the six months 28th February, 1994 to 28th August, 1994 the Notes will carry an interest rate of 4.25% per annum with an interest amount of U.S. \$208.83 per U.S. \$10,000 Note, payable on 28th August, 1994.
Bankers Trust Company, London Agent Bank

Banque Indosuez
U.S. \$200,000,000
Floating Rate Notes due 1997
For the three months 28th February, 1994 to 31st May, 1994 the Notes will carry an interest rate of 4.5% per annum and coupon amount of U.S. \$103.82 per U.S. \$10,000 Note, and U.S. \$2,076.49 per U.S. \$250,000 Note.
Bankers Trust Company, London Agent Bank



ARAB INTERNATIONAL BANK

BALANCE SHEET AS AT 30/6/1993 and 1992

(In thousands of U.S. Dollars)

AUDITOR'S REPORT

The Shareholders,
Arab International Bank.

We have examined the accompanying balance sheets of Arab International Bank at June 30, 1993 and June 30, 1992 and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Arab International Bank at June 30, 1993 and June 30, 1992, and the results of operations and changes in financial position for the years then ended, in conformity with the accounting policies set out in Note 2 applied on a consistent basis during the period.

Sami & Young

Athens, August 20, 1993

ASSETS	30/6/1993	30/6/1992	LIABILITIES AND SHAREHOLDERS' EQUITY	30/6/1993	30/6/1992
Cash and due from banks	50,192	34,022	Demand deposits	245,655	206,808
Time deposits	1,312,211	1,461,452	Time deposits	1,679,759	2,007,414
Investments:			AIB certificates of deposit	54,467	-
Marketable notes and bonds	376,077	291,805	Accounts payable and accrued interest	13,066	27,231
Equity participations	99,700	94,819	Proposed dividends	7,000	6,600
Loans and advances	362,150	540,688	TOTAL LIABILITIES	1,999,947	2,248,053
Accounts receivable and accrued interest	14,837	25,929	Shareholders' Equity:		
Property and equipment	56,699	58,217	Share capital	175,000	165,000
			Statutory reserve	41,602	40,075
			General reserve	53,909	52,325
			Retained earnings	1,408	1,479
			TOTAL SHAREHOLDERS' EQUITY	271,919	258,879
	2,271,866	2,506,932		2,271,866	2,506,932
Commitments and Contingent Liabilities	381,418	314,854	Commitments and Contingent Liabilities	381,418	314,854

Mr Mohamed H. Layas
Managing DirectorDr. Mostafa Khalil
Chairman

HEAD OFFICE: 35 Abdel Khalek Sarwat Street, CairoTel: 3918794Telex: 92079 AIB, 92098 AIBEX UNCable Address: Arabinbank, Cairo Fax: 3916233
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INTERNATIONAL COMPANIES AND FINANCE

Japanese companies downgrade forecasts

By Emiko Terazono in Tokyo, Our Financial Staff in London and agencies

More Japanese companies have warned that their profits for the current financial year may not match earlier forecasts.

In the case of Mitsubishi, Japan's most prestigious department store, which has links with Harrods of London, the pre-tax loss is expected to worsen due to poor sales to corporate customers.

The retailer expects a non-consolidated pre-tax loss for the year to last month to widen to ¥3.5bn (\$33m) from a previously forecast ¥2.3bn.

Mitsubishi expects to post its second consecutive pre-tax loss, highlighting the problems facing Japanese department stores amid the current downturn in the economy and the sharp fall in consumer confidence.

Department stores have also faced declines in sales due to an increase in competition from discount retailers, especially in the clothing sector.

The company said it would post an extraordinary loss of ¥5.1bn due to the liquidation of three affiliates, Mitsubishi Restaurant Services, a sports club, and a Paris-based designer brand retailer.

However it will also post a special profit of ¥5.8bn from assets sales, including a workshop in central Tokyo and condominiums, which have been sold to a real estate affiliate.

All Nippon Airways warned that it would be unable to post earlier projected non-consolidated sales of ¥782bn for the current year to March.

Mr Seiji Fukatsu, ANA president, said that, although the pre-tax profit forecast of ¥6bn would remain the same, annual sales could now total only ¥750bn.

In the telecommunications industry, Nippon Telegraph and Telephone (NTT) foresees its unconsolidated, or parent only, pre-tax profit for the coming fiscal year beginning April 1 falling by 1.9 per cent to ¥104bn from the ¥106bn estimated earlier.

The forecast came as part of NTT's business plan for the coming fiscal year. The company is Japan's largest carrier of telephone calls.

NTT's president, Mr Masashi Kojima, said that, even with pre-tax profit of ¥104bn for the coming fiscal year, the company would have to carry forward profit from the current fiscal year to pay its regular dividend of ¥5,000 per share.

Mr Kojima warned that the telecommunications giant wanted to raise basic monthly phone charges and charges on telephone directory assistance services.

Kokusai Denshin Denwa, Japan's international telecommunications company, said it expected ¥25bn in current profit in 1994-95, starting April 1, up ¥1bn from this year.

KDD said its estimate of current profits for 1993-94 has been cut to ¥28bn from a ¥30bn estimate made in October last year.

KDD plans to invest ¥60bn in plant and equipment in 1994-95, compared with an estimated ¥50bn for the current business year. "We expect the international telecommunications market to remain firm in 1994-95," it said.

Strong growth in exports helps Daewoo lift profits

By John Burton in Seoul

Daewoo, South Korea's fourth-largest conglomerate, has reported a 56 per cent increase in net profits to Won288bn (\$368m) in 1993 on sales up by 35 per cent to Won2,027bn.

The jump in earnings reflected strong exports of cars and electronics as the Korean won fell against the Japanese yen.

The group's securities business also had sharply rising profits due to the recovery of the Seoul bourse last year.

Daewoo Corporation, the group's trading and construction unit, had a 20 per cent rise in profits to Won48.6bn because of increased shipments of exports. Sales grew by 17 per cent to Won9,534bn.

Daewoo Electronics' profits increased by 19 per cent to Won19bn as sales rose by 15 per cent to Won2,000bn, while Daewoo Motors cut its losses to Won60bn from Won90bn in 1992 as exports grew by 80 per cent to 100,000 vehicles. Sales increased by 29 per cent to Won2,200bn.

The group's most profitable subsidiary is still Daewoo Shipbuilding, although earnings declined slightly to Won200bn from Won211bn in 1992. Last year's flat profit growth reflected sluggish orders received in 1992. However, it recorded the largest number of orders among the world's shipbuilders last year, indicating that earnings will increase in 1994. Sales were unchanged at Won1,384bn.

Daewoo Heavy Industries, a machinery producer, reported a 58 per cent increase in profits to Won1,670m, although sales declined by 2 per cent to Won880m.

Daewoo Shipbuilding and Daewoo Heavy Industries are scheduled to merge this year.

Daewoo Telecom had a profit rise of 11 per cent to Won7.3bn on 24 per cent higher sales of Won473bn.

Orion Electric reported earnings down by 38 per cent to Won8.2bn as sales rose by 18 per cent to Won477bn.

Daewoo Securities had the biggest profit rise among the group's main businesses, with earnings growing by 64 per cent to Won80bn. Sales increased by 16 per cent to Won440bn.

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Government subsidy bolsters first-half earnings at Sasol

By Matthew Curth in Johannesburg

Sasol, South Africa's oil-from-coal petrochemicals producer, reaped rich rewards from its R2.5bn investment in new chemical projects in the first half of 1993.

The group reported a 40 per cent surge in pre-tax profit to R1.06bn (\$306m) from R759m in the same period of 1992.

The improvement was achieved through productivity gains and the rand's weakness against the dollar, which lifted export revenues. However, the robust performance, which saw sales climb to R4.67bn from R4.34bn, includes an estimated R450m government subsidy at the pre-tax level.

Sasol's synthetic fuel operations are compensated for any fall in oil prices below a floor of \$21.85 a barrel, adjusted from \$23 late in 1993.

The subsidy has increased as international crude oil prices have sunk to new lows of below \$13 in recent months.

Mr Paul Kruger, managing director, said the investment in petrochemicals helped lift operating margins while cost cutting had continued at the group's mines and synthetic fuel operations.

Mr Kruger added that talks on the deregulation of the South African oil industry were proving to be "difficult, slow but going ahead". He said that progress was likely to accelerate once a new government was installed.

Operating income rose to R1.11bn from R822m. The exhaustion of tax allowances led to a jump in tax provisions to R365.8m from R158.7m. After-tax profit rose 16 per cent to R698.7m from R600.3m. Earnings improved to 115.9 cents from 89 cents a share. An 11 per cent higher dividend of 42 cents against 38 cents is declared.

The group has completed the revamp of its Sasol 1 synfuel plant, now dedicated to chemical production, and has commissioned the expansion of Natref, the Durban oil refinery jointly owned with Total.

Meanwhile, production has started in this calendar year at Polifin, the R400m petrochemicals joint venture with AECI, the Anglo-American-owned chemicals group.

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INTERNATIONAL CAPITAL MARKETS

German repo move sparks tentative recovery

By Corinne Middelmann
in London and Patrick
Harvey in New York

After last week's sell-off, most European government bond markets firmed slightly yesterday. However, with long-term

GOVERNMENT BONDS

investors still sidelined and cash dealings thin, dealers said the consolidation remains fragile.

German government bonds sparked the early rally, fuelled by hopes for imminent credit easing after the Bundesbank called for a halt to variable-rate securities repurchase agreements.

After three months of freezing the repo rate at 6 per cent, the central bank's return to variable-rate repos - where

banks bid what they are willing to pay - raised hopes that the repo rate could continue to edge lower.

However, dealers were split over the likely extent of the easing at today's repo allocation. While some expect the rate to fall by between five and 10 basis points, others said banks might bid very cautiously given recent money market tightness.

Bidding is further complicated by the fact that the Bundesbank's lower minimum reserve requirement takes effect today, releasing substantial liquidity.

Bunds' strength was underpinned by strength in the US Treasury market on encouraging comments from Federal Reserve Board governor Lawrence

Reserve Board governor Lawrence

which is seen to make it technically vulnerable to the downside.

Comments from Bundesbank council member Mr Otmazing-Lang exasperated late weakness. In an interview with AP-Dow Jones, he said January M3 money supply could be in the double digits, well outside the Bundesbank's 4-5 per cent target range. The numbers are expected to be released in the second half of this week.

A further pressure on bonds was impending supply, with the Treasury's new issue of \$300m, five-year fixed-rate dragon bond to Asian investors, but decided to delay the issue because of the current weakness in the US Treasury bond market.

Meanwhile, undeterred by the market conditions, International Telecommunications and Satellite Organisation (Intelsat), launched a \$200m, 10-year dragon bond issue, priced to yield 37 basis points over the US Treasury bond.

bond analyst at UBS.

French government bonds tracked Bunds higher, inspired by hopes that a lower German repo rate might give the Bank of France fresh scope for easing after last week's small 0.10 point cut in the intervention rate, to 5.10 per cent.

The March optional OAT future rose 0.52 point to 126.95, though it fell back to around 126.75 in after-hours trading.

UK gilts held on to most of their gains, with the March long gilt future closing at 113.5, up 0.10 point on the day. "It was a quiet day - we saw some buying, but not in great size," said a gilt salesman at a large UK bank.

Japanese government bonds held on to their soft tone ahead of today's release of the Bank of Japan's quarterly Tankan economic report, and the auc-

tion of 10-year bonds. Mr James Green, economist at JPMorgan Chase, said he expected some ¥1,200bn of 4.1 per cent 10-year bonds to be sold. "Retail demand is likely to be very slack - especially after the disappointing four-year auction last week."

US Treasury prices firmed slightly across the board yesterday morning in the wake of a report from Chicago-area purchasing managers that was moderately bullish for bonds.

By midday, the benchmark 30-year government bond was up 1/8 at 94 1/8, yielding 6.889 per cent. The two-year note was also higher at the halfway mark, up 1/8 at 99 1/8, to carry a yield of 4.675 per cent.

After firming overnight, due to buying in Tokyo, Treasury prices received another modest boost in the New York mor-

ning session after the Purchasing Management Association of Chicago reported a 58.6 per cent rise, to 60.3 per cent, in its February index of business activity in the region. Although an increase had been expected, what pleased bond dealers and investors was a decline in the price and employment components of the purchasing managers' index.

Traders said the data might normally have had little impact upon the market. However, with bonds looking over-sold in the wake of recent heavy losses, it only took the slightest glimmer of good news to attract buyers.

The market was also relieved that, following a worrying Philadelphia Federal Reserve report that pointed to rising prices in the region, yesterday's Chicago purchasing managers report said prices locally showed signs of easing in February.

DTB lifts margin requirement on bund future

By Corinne Middelmann

The German futures and options exchange (DTB) has increased the margin requirement on its government bond futures contract and its DAX stock index future.

The move follows the recent rise in volatility in Germany's bond and stock markets. The DTB said the new margin requirement took effect yesterday, and would remain in force until further notice.

"The 30-day volatility in the bund future was higher than we had assumed under our worst-case scenario," the DTB said. "Last Thursday, the [March] contract closed 100 ticks below the previous day's close, while our 'worst-case' scenario assumed a maximum move of only 100 ticks," it said.

Margins represent the collateral that an investor must deposit to secure an investment position.

The DTB's margin on the bund future was raised to DM2,500 (the equivalent of a 120-tick move on the future) per contract from DM2,000 (100 ticks). The margin on the DAX future was increased to DM18,000 (130 index points) from DM11,000 (110 index points).

Europe's other large exchanges are not envisaging similar moves.

"The exchange is not planning to change its initial margin on the bund future," said a DTB official, noting there was always the possibility of making intra-day margin calls at times of high volatility. Life's initial margin requirement on the bund future is currently DM2,000.

"We are constantly monitoring volatility levels to ensure the margin requirements are appropriate, but for the moment we are not considering any changes," a DTB official said.

Volatility, interest-rate uncertainty deter borrowers

By Sara Webb

A handful of borrowers announced plans yesterday to tap the international bond markets. However, on the whole, new issue activity remained rather subdued in the wake of the recent turbu-

INTERNATIONAL BONDS

lence in Europe's financial markets and uncertainty over US interest rates.

Ontario Hydro, the large electricity utility in Canada, plans to launch a C\$1bn global floating-rate note (FRN) with a five-year maturity. Merrill Lynch, the joint bookrunner, said the deal would provide investors with the first substantial FRN offering in Cana-

dian dollars. Ontario Hydro, which has an A2/AA- credit rating, has an expected borrowing requirement of between C\$2bn and C\$3.5bn per annum over the next three years.

Given that the US Federal Reserve has already raised short-term interest rates, and the somewhat uncertain interest rate background, Merrill said it expected to see demand for the FRN from investors who want exposure to Canadian dollars, and who are expecting a similar rise in Canadian short-term interest rates.

Waiting in the wings for more suitable market conditions is a \$500m, 10-year fixed-rate Eurobond issue from the African Development Bank. The bank is a relatively rare borrower in the international bond market: the proceeds will

be used for general treasury purposes.

Kreditanstalt für Wiederaufbau, known as KfW, announced yesterday it would delay the launch of its much-publicised dragon bond issue until market conditions had stabilised.

KfW, with a triple-A rating, has been planning to bring a \$300m, five-year fixed-rate dragon bond to Asian investors, but decided to delay the issue because of the current weakness in the US Treasury bond market.

Meanwhile, undeterred by the market conditions, International Telecommunications and Satellite Organisation (Intelsat), launched a \$200m, 10-year dragon bond issue, priced to yield 37 basis points over the US Treasury bond.

NEW INTERNATIONAL BOND ISSUES							
Borrower	Amount m.	Coupon (%)	Price	Maturity	Yield (%)	Spread bp	Book runner
COCA Cola	250	(m)	98.74R	Mar.1997	6.18R	-	CG First Boston
COCA Cola	200	6.855R	98.84R	Mar.2004	6.26R	+37 (95R-04)	Goldman Sachs (Asia)
COCA Cola	100	1.00	100.00	Mar.1998	5.25	-	NBS Europe
STERLING National Grid	100	(m)	100.00	Oct.1996	undfcd	-	Baring Brothers
Morgan Stanley Group	150	(m)	98.75R	Mar.1998	0.175R	-	Morgan Stanley Intl.
YEN Nippon Development Bank	225	4.70	100.00	Mar.2004	0.325	-	Bank of Tokyo Capital Mkts.
CANADIAN DOLLARS Ontario Hydro	125	8.00	100.25R	Dec.1997	0.20R	+10 (R)	ScottMelland

Final terms and non-callable unless stated. The yield spread over relevant government bonds at launch is supplied by the lead manager. (R) refers to floating rate notes. (S) refers to subordinated notes. (F) refers to floating rate notes. (H) refers to high-yield notes. (L) refers to low-yield notes. (M) refers to medium-yield notes. (N) refers to non-callable notes. (P) refers to puttable notes. (Q) refers to callable notes. (R) refers to redeemable notes. (S) refers to subordinated notes. (T) refers to tenderable notes. (U) refers to unsecured notes. (V) refers to secured notes. (W) refers to warrants. (X) refers to exchangeable notes. (Y) refers to convertible notes. (Z) refers to zero-coupon notes.

is redeeming a \$300m issue of floating-rate notes early, and is offering investors the chance to switch into a new issue on slightly more attractive terms, which effectively gets rid of the 5 per cent floor.

The issue was launched in 1988 and is due to mature in October 1996. It had a coupon of 5 per cent, plus 3 basis points, and had a floor of 5 per cent.

The new issue, which will be for up to \$300m, is paying a coupon of 10 per cent plus 10 basis points and will also mature in October 1996. Baring Brothers, the lead manager, said there was a shortage of paper maturing in 1996.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Date	Price	Days' change	Yield	Week ago	Month ago
Australia	9.500	08/04	110.3400	+0.280	8.91	8.72	8.13
Belgium	7.250	04/04	102.1000	+0.050	6.95	6.93	6.52
Canada	5.500	06/04	96.5500	+0.250	6.96	6.84	6.33
Denmark	7.000	12/04	102.9000	+0.080	6.80	6.46	6.02
France	8.000	05/04	105.2000	+0.350	5.42	5.42	5.10
Germany	5.500	04/04	94.9000	+0.480	6.18	6.09	5.68
Italy	5.000	04/04	96.3500	+0.300	6.01	5.73	5.41
Japan	4.500	09/09	106.4000	+0.890	3.37	3.00	2.51
Netherlands	10.000	06/03	102.2700	+0.080	3.80	3.68	3.48
Spain	8.750	01/04	97.5000	+0.080	6.02	5.67	5.27
UK	10.000	10/03	111.7500	+0.500	8.64	8.47	7.82
US Treasury	8.000	08/09	98.10	+15/32	6.32	6.08	5.70
ECU (French Govt)	6.000	04/04	96.3500	+0.300	6.01	5.73	5.41
ECU (German Govt)	5.500	04/04	94.9000	+0.480	6.18	6.09	5.68
ECU (Italian Govt)	5.000	04/04	96.3500	+0.300	6.01	5.73	5.41
ECU (Japanese Govt)	4.500	09/09	106.4000	+0.890	3.37	3.00	2.51
ECU (Spanish Govt)	8.750	01/04	97.5000	+0.080	6.02	5.67	5.27
ECU (UK Govt)	10.000	10/03	111.7500	+0.500	8.64	8.47	7.82
ECU (US Govt)	8.000	08/09	98.10	+15/32	6.32	6.08	5.70
ECU (Other Govts)	6.000	04/04	96.3500	+0.300	6.01	5.73	5.41

London closing. New York mid-day. (Y) refers to yield. (P) refers to price. (C) refers to coupon. (D) refers to date. (S) refers to source. (M) refers to market. (N) refers to note. (R) refers to rate. (T) refers to term. (U) refers to unit. (V) refers to value. (W) refers to weight. (X) refers to exchange. (Y) refers to year. (Z) refers to zone.

US INTEREST RATES

	Rate	Change	Week ago	Month ago
1-month	5.14	-0.01	5.14	5.14
3-month	5.14	-0.01	5.14	5.14
6-month	5.14	-0.01	5.14	5.14
9-month	5.14	-0.01	5.14	5.14
12-month	5.14	-0.01	5.14	5.14

BOND FUTURES AND OPTIONS

France

NATIONAL FRENCH BOND FUTURES (MATE)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	126.40	126.50	+0.10	126.50	126.30	181,485	158,974
Jun	126.02	126.12	+0.10	126.12	125.92	13,689	61,292
Sep	125.28	125.38	+0.10	125.38	125.18	407	10,348

LONG TERM FRENCH BOND FUTURES (MATE)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	126.40	126.50	+0.10	126.50	126.30	181,485	158,974
Jun	126.02	126.12	+0.10	126.12	125.92	13,689	61,292
Sep	125.28	125.38	+0.10	125.38	125.18	407	10,348

NATIONAL GERMAN BOND FUTURES (LIFE) DM250,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	96.08	96.08	+0.05	97.20	95.63	163,248	179,700
Jun	95.50	95.50	+0.05	96.80	94.25	401,45	91,912
Sep	95.40	95.40	+0.04	96.74	93.94	228	51,95

BUND FUTURES (LIFE) DM250,000 points of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	111.21	111.21	+0.11	112.01	111.21	351,565	229,171
Jun	110.22	110.22	+0.11	111.01	110.22	76,450	17,233
Sep	109.24	109.24	+0.11	110.04	109.24	559	34,120

NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFE) ¥100m 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	112.68	112.68	+0.12	112.50	112.50	500	0
Jun	111.37	111.37	+0.12	111.70	111.25	2497	0

UK GILT PRICES

	Yield	Price	Change	High	Low	Est. vol.	Open int.
10-year	10.10	101.10	+0.44	101.17	100.85	68	8308
10-year	10.13	101.17	+0.42	101.25	101.13	139	593

Italy

NATIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIFE) ¥100m 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	113.35	113.35	+0.09	113.80	112.00	49,457	87,550
Jun	113.88	113.88	+0.01	113.85	112.21	15,860	61,947
Sep	113.79	113.79	-0.01	113.79	112.00	0	1

ITALIAN GOVT. BOND (STP) FUTURES (LIFE) DM250,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	113.35	113.35	+0.09	113.80	112.00	49,457	87,550
Jun	113.88	113.88	+0.01	113.85	112.21	15,860	61,947
Sep	113.79	113.79	-0.01	113.79	112.00	0	1

Spain

NATIONAL SPANISH BOND FUTURES (MATE)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	101.98	101.79	+0.05	102.20	101.50	64,222	123,623
Jun	101.95	101.80	+0.30	101.95	101.30	4,919	37,763

UK

NATIONAL UK GILT FUTURES (LIFE) £50,000 32nds of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	113.10	113.10	+0.22	113.23	113.02	70,138	86,677
Jun	112.18	112.18	+0.22	112.28	112.08	32,560	104,888
Sep	111.28	111.28	+0.22	111.28	112.08	0	0

LONG GILT FUTURES (LIFE) £50,000 64ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	113.10	113.10	+0.22	113.23	113.02	70,138	86,677
Jun	112.18	112.18	+0.22	112.28	112.08	32,560	104,888
Sep	111.28	111.28	+0.22	111.28	112.08	0	0

ECU

NATIONAL ECU BOND FUTURES (MATE)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	117.08	117.08	+0.16	117.16	117.08	4,128	14,732
Jun	117.08	117.08	+0.16	117.16	117.08	4,128	14,732

US

US TREASURY BOND FUTURES (CET) \$100,000 32nds of 100%

00%	
PUTS	
Sep	
1.40	
1.66	
1.87	



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COMPANY NEWS: UK

Flotation could put minimum £450m price tag on stores group

House of Fraser at £34.5m

By Neil Buckley

House of Fraser, the 56-store department store chain which is preparing for flotation, lifted pre-tax profits by 31 per cent from £23.9m to £31.4m in the year to January 29, the pathfinder prospectus revealed yesterday.

The result was after exceptional costs of £3.7m on property disposals and interest charges of £6.8m. Total sales increased from £694m to £722m, and like-for-like sales were up 8.6 per cent.

Earnings per share were 10.1p (4.2p). Before exceptional costs they were 11.1p, leading analysts to expect that the company could be valued at a minimum £450m. The offer price will be announced on March 17.

Mr Brian McGowan, the former chief executive of Williams Holdings who was tempted from retirement last year to become House of Fraser's chairman, said the improvement had convinced him of the chain's potential.

"Most of my critical preconceptions proved to be wrong and ill-judged," he said.

He said the group, which trades under 17 different names including Dickens & Jones, Army & Navy, Rack-

hams, and Binns, planned a £50m refurbishment programme. It was revamping its product range, grouping its stores into three categories depending on size.

It also planned to match the merchandise in each store more closely with local customer profiles.

The Egyptian Fayed brothers, who bought the group for almost £500m in 1989, are selling the entire chain with the exception of its former flagship, Harrods.

Of the £23.9m shares, a quarter are being offered to the public, subject to clawback by institutions.

Analysts believe House of Fraser is looking at an offer price of between 150p and 220p per share, valuing the company at between £410m and £500m, depending on market movements, and the effectiveness of the group's marketing campaign.

On the stores sector historic multiple of about 19, the price would be 211p, valuing the company at £249m, but many analysts expect the price to be slightly lower, at about 200p.

Mr McGowan said net debt at the end of January was £38m, putting gearing at 37.5 per cent.

Mr Michael Green, chairman of Carlton Communications, has warned Lord Hollick of M&A, the broadcasting and financial services group, that he will sell his 30 per cent stake in Meridian Broadcasting unless minority shareholders get a better deal.

Mr Green, it is believed, met Lord Hollick, the M&A chief executive, last week to discuss the issue following M&A's acquisition of Anglia Television.

Carlton acquired its stake in Meridian, the ITV company for the south of England, through its acquisition of Central Independent Television.

Mr Green is believed to be concerned about the level of information received by shareholders such as Carlton and SelectTV, the independent programme maker which holds a 15 per cent stake in Meridian.

Both companies, it is understood, found out about M&A's participation in a consortium to bid for a possible Channel 5 licence when they were sent a press release.

Both Carlton and SelectTV also fear that Anglia, acquired by the main M&A company, could become a subsidiary of M&A Broadcasting, itself a subsidiary of M&A, thereby bypassing the minority shareholders.

The minority shareholders are worried that any savings flowing from the acquisition will not go to Meridian. M&A said it would not comment on "anonymous gossip."

Mr Alan McKeown, chief executive of SelectTV, producers of programmes such as *Birds of a Feather*, believes the company has not received full credit for its role in helping Meridian win its franchise.

Meanwhile Carlton is likely to buy out the two 5 per cent minority shareholders in Carlton Television. The Telegraph group publishers of the *Daily Telegraph* and *RCS*, the Italian media group, both would have to put up an additional £40m each in avoid dilution of their stake in the enlarged television business, something that is considered unlikely.

Carlton warned on Meridian holding

By Raymond Snoddy

Mr Michael Green, chairman of Carlton Communications, has warned Lord Hollick of M&A, the broadcasting and financial services group, that he will sell his 30 per cent stake in Meridian Broadcasting unless minority shareholders get a better deal.

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Airtours to sue former owners of Aspro Travel

By Michael Stephenson, Leisure Industries Correspondent

Airtours, the holiday group, yesterday announced it is taking legal action against the former owners of Aspro Travel, which it bought last June for £20.1m.

Airtours alleges it was the victim of fraudulent representation at the time it acquired Cardiff-based Aspro and Inter European Airways, its wholly-owned subsidiary.

Airtours said initial investigations carried out by independent accountants estimate the value of its claim to be £9.8m. The action is against Mr George Aspro, Mr Christopher Aspro and Mr Dimitrios Aspro, former owners of 90 per cent of Aspro Travel.

Airtours said it is also taking action against all Aspro's former shareholders over warranties and representations contained in the purchase agreement.

"The Aspro family members involved said yesterday they would fight Airtours' action."

They said: "The proceedings started by Airtours, unexpectedly and without any warning, are going to be strenuously and vigorously resisted. Prior to the takeover, the company had a successful record of growth and employment."

At the time of the Aspro acquisition last year, Airtours said the purchase would strengthen its markets in Wales, Northern Ireland and the south-west of England. It said Aspro's programmes to the eastern Mediterranean would complement Airtours' holidays to the western Mediterranean and the Canary Islands.

Airtours said yesterday that Aspro and its airline had now been fully integrated into its operations. Aspro's bookings were well ahead of the previous year and there had been a significant reduction in its cost base.

Airtours said its accounts for the year to September 30 1993 reflected the shortfall in profit against the level previously expected from the Aspro acquisition. It added: "There will therefore be no adverse effect upon the earnings or assets of the current financial year."

Guardian Royal changes name

By Richard Lapper

Guardian Royal Exchange, the fifth largest of the UK composite insurers, is dropping Royal Exchange from its title and will be known in future simply as Guardian.

The group is also replacing its company logo with the image of an owl, to create a "new visual identity... part of the group's strategy to build a more powerful corporate brand worldwide," according to a statement yesterday.

The name will be introduced progressively in 1994 but the legal names of Guardian Royal Exchange and its trading subsidiaries in more than 50 countries are not affected.

"A new name and identifier have been adopted for use internationally. This is particularly important now as we establish new companies and reposition existing ones," explained Mr Sid Hopkins, chief executive.

SWP expansion

SWP Group, the USM-quoted maker of specialist components for the construction industry, more than doubled pre-tax profits in the half year to December 31, from £42,000 to £105,000.

Turnover improved from £3.71m to £4.43m generating operating profits of £167,000 (£126,000). Earnings worked through at 0.3p (0.1p).

Brent Walker loan moves proceed

By Maggie Urry and Peggy Hollinger

Lenders to William Hill, the betting shop business owned by Brent Walker, should be repaid today, the date their £235m loan is due.

The repayment follows the refinancing of the loan by banks to Brent Walker, with Standard Chartered and Lloyds Bank each lending significant amounts. Without the refinancing, Brent Walker would have had to sell or float Hill. Bankers now admit that if Hill had been sold Brent Walker would almost certainly have gone into receivership.

Many of the bonds were held by Brent Walker banks, but some had originally been bought by investors found by Mr George Walker, who was chairman and chief executive of Brent Walker at the time the bonds were issued. There were no positive abstentions from note holders, as there have been previously, but it is understood that Lomrho and Tunis International Bank were among those not voting.

Bankers said that last week there were fears that the William Hill lenders might have to be asked for a few days grace before the loan was repaid, but hitches had been sorted out in time.

Changes to Brent Walker's £237m term loan agreement have been accepted by lenders. Last Friday holders of the group's variable rate notes agreed to changes in their conditions, including the payment of interest in preference shares for a longer period.

Of the £23m of notes outstanding, votes were received from £74m, with 99.996 per cent voting in favour. The notes were created at the time of Brent Walker's refinancing in March 1992, when they were exchanged for £101.9m of convertible bonds issued in autumn 1990.

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Cantab loss doubles to £2.9m

By Tim Burt

Cantab Pharmaceuticals, the bio-technology company quoted both in London and on Nasdaq in the US, blamed increased research spending for a doubling of losses.

The Cambridge-based group said pre-tax losses rose to £2.88m (£1.4m) in the 12 months to December 31.

Analysts had been expecting losses of up to £3.6m as Cantab broadened its product portfolio, and Mr Nicholas Hart, finance director, said the increased deficit was "well within budget".

Further spending on new

drugs to treat ailments as wide-ranging as cervical cancer and genital warts will be financed from cash reserves of £20.6m (£18.5m), he added.

Those reserves were boosted last year by a £13.8m flotation in London and a private placing in the US, which together raised £18.5m after repayment of finance lease obligations.

Although Cantab hopes to bring some of its new drugs to market on its own, it admitted that it would have to form collaborations with international pharmaceutical groups to proceed with most projects.

Of those drugs, only LM-CD4s - developed in collabora-

tion with Baxter Healthcare, the US corporation - is close to marketable production.

Baxter has exclusive manufacturing and marketing rights for the drug, designed to reduce rejection in kidney transplant operations.

Mr Hart said licence fees and contract development revenue from Baxter formed the bulk of Cantab's turnover, which fell 40 per cent to £1.02m (£1.7m).

Mr Hart warned that losses would increase in 1994 as R&D spending rose further and it began construction of a pilot-scale manufacturing facility in Cambridge. Losses per share rose in 42p (26p).

HSBC Holdings plc Results for 1993

For the year	1993	1992
Profit before tax	£2,584m	£1,714m
Profit attributable to shareholders	£1,806m	£1,221m
Earnings per share	71.78p	62.07p
Dividends per share	23.50p	19.00p
Shareholders' funds	£9,334m	£8,011m
Capital resources	£16,087m	£13,465m
Assets	£206,050m	£185,141m

- Pre-tax profit up 51% and attributable profit up 48%
- Pre-tax profit up 47% and attributable profit up 44% in Hong Kong dollars
- Recommended final dividend of 16.5 pence per share
- Scrip dividend alternative providing an enhancement of 50%
- Earnings per share up 16%
- Total capital ratio 13.2% and tier 1 ratio 7.9%

"Overall, business conditions were favourable for the HSBC Group in a year marked by growth and change, including the move of our holding company to London. The hard work and dedication of our staff throughout the world was a vital element of our success."

Steady progress has been made in the integration of Midland Bank into the Group. While much remains to be achieved, the benefits realised so far have exceeded our expectations, particularly in the treasury, investment and UK commercial banking businesses.

As we look ahead, we expect our business to benefit from continued growth in Asian economies and recovery in the UK and US. However, with interest rates at or near the bottom of the cycle, it is unlikely that conditions in the treasury and capital markets in 1994 will be as favourable as those in 1993.

With our broad geographical presence and our expertise in trade finance, the HSBC Group is well positioned to benefit from the growth in world trade which should result from the GATT and NAFTA agreements. We look forward with confidence to these new challenges and the opportunities they present.

Sir William Purves, Group Chairman

The information in this announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 1993, which contain an independent auditor's report and do not contain a statement under section 237(2) or (3) of the Act, will be delivered to the Registrar of Companies in England and Wales in accordance with section 242 of the Act.

Copies of the full results announcement may be obtained from Group Public Affairs, 10 Lower Thames Street, London EC3R 6AE, United Kingdom. The 1993 Annual Report and Accounts will be sent to shareholders in early April.

Incorporated in England with limited liability

Registered in England, number 617987

Registered Office and Group Head Office: 10 Lower Thames Street, London EC3R 6AE, United Kingdom

Nationwide
£300,000,000
Floating Rate Notes
Due 1996
(Second Series)
Notice is hereby given that the notes will bear interest at 5.23625% per annum from 28th February 1994 to 31st March 1994. Interest payable on 31st March 1994 will amount to £22.24 per £5,000 note or £222.36 per £50,000 note.
Nationwide Building Society
Agent Bank
Baring Brothers & Co., Limited

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20122 Milano - Piazza Ercole, 9
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Reuters Dealing Code: JTBK
Reuters Monitor: JTB1/2/3/4
Tel. 39-2-722051
Fax 39-2-805957

SOCIETE GENERALE
USD 210,000,000
SUBORDINATED
FLOATING RATE
NOTES DUE 2002
For the period February 28, 1994 to August 30, 1994, the new rate has been fixed at 5.125 % p.a.
Next payment date: August 30, 1994
Coupon nr: 4
Amount: USD 130.26 for the denomination of USD 5,000
USD 2605.21 for the denomination of USD 100,000
THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue de la Liberte - Luxembourg

FOR (HEMUDA) LTD
USD 15,000,000
FLOATING RATE NOTES DUE 1999
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CHEMICAL
Agent Bank

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BRADFORD & BINGLEY BUILDING SOCIETY
£150,000,000
Floating Rate Notes
Due 1994
In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 28th February 1994 to (but excluding) 31st May 1994, the Notes will carry a rate of interest of 5.25 per cent. per annum. The relevant interest payment date will be 31st May 1994. The coupon amount per £5,000 will be £232.33 payable against surrender of Coupon No: 20.
Hambros Bank Limited
Agent Bank

The survey will report on the important contribution made to the economy by ethnic minority businesses in the United Kingdom. It will examine how their future prospects will be affected by competition at home and from abroad, and how they are responding to the challenges of economic revival in the UK.
For more information on editorial content and details of advertising opportunities available in this survey, please contact:
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Tel: 021 484 0822 Fax: 021 485 0880
FT Surveys

Capita advances 24% and sees further growth

By Andrew Bolger

Capita Group increased pre-tax profits by 24 per cent to £25.4m in the year to December 31.

Turnover increased by 52 per cent to £50.2m, of which £21.4m came from acquisitions.

Mr Rod Aldridge, chairman, said Capita had strengthened further its position as a leading provider of professional support services to the public and private sectors.

He said: "Our current order book in all three divisions is stronger than 12 months ago and we are continuing to bid for many business opportunities... I am optimistic that Capita will make further progress."

Net cashflow from operating activities rose from £7.5m to £8.5m, of which £4.4m was invested in acquisitions and £3.5m in capital expenditure.

The group's net cash balance dipped from £9.6m to £8.4m. Capita said its restructuring into three divisions had been successfully completed. Outsourcing increased operating

profits by 32 per cent to £25.5m, the advisory division was up 21 per cent at £1.38m and property services rose by 15 per cent to £1.64m.

The outsourcing division's forward projected revenues up to the end of 1998 stood at £118m, a 55 per cent increase over the corresponding period.

Mr Aldridge said the group had started 14 new local government outsourcing contracts during the year. "We have won two significant contracts at the London boroughs of Westminster and Bexley worth £14.5m in aggregate, which start in April 1994. These contracts are to provide collection services for council tax and business rates. As a result, Capita is now responsible for the annual collection of £1.2m of public money. We anticipate further contract wins by the half year."

The group said prospects were excellent for its advisory division, which had established a firm niche in well-paid work for central government. Earnings per share increased

by 23 per cent to 7.9p (5.4p). A final dividend of 1.7p gives a total of 2.55p (2.1p), a rise of 21 per cent.

COMMENT

Capita has built an admired position in providing contracted services to local government by concentrating on high-margin activities such as revenue collection and computer services, rather than fiercely competitive cleaning and catering contracts. The group estimates more than 800 of its type of contract will come up over the next five years, so there remains plenty to go for. Market testing is proceeding more slowly in central government, so Capita's best chance there looks to be on the consultancy side. Forecast pre-tax profits of £26.7m put the shares, up 5p to 220p, on a prospective multiple of 34. They cannot be classed as a bargain at this level, but the premium rating looks justified both by the group's track record and prospects.

Success in UK helps Sema rise to £24.9m

By Alan Cane

Sema Group, the Anglo-French information systems company, yesterday announced a 28 per cent increase in pre-tax profit from £19.5m to £24.9m for the year ended December 31 1993.

Turnover increased by 20 per cent to £502m (£417m), while earnings per share rose 26 per cent to 16.8p (13.3p). The dividend is raised 10 per cent to 3.1p. The share price moved up 9p to 379p.

The company has net cash of £18.2m, compared with £5.5m. The results include the effect of last year's £20m acquisition of the Swedish company SKDforotagan.

Sema is a broad-based computer services company specialising in systems integration.

The company is active principally in France where revenues grew 11.4 per cent to £190.5 and in the UK where growth of 23.2 per cent to £212.1m was recorded. It was the company's most successful year in the UK since CAP and Sema Metra merged in 1988. Mr Pierre Bonelli, Sema chairman, said it was the result of strong growth in outsourcing - running customers' data processing on their behalf.

COMMENT

Sema has yet to come close to fulfilling its 1989 strategic aim of a 60:25:15 revenue split between systems integration, facilities management and products. Nevertheless, its strength in its key applications areas of energy, representing 57 per cent of sales, transport (45.1 per cent) and defence (28.4 per cent) more than make up for its problems with I-Line, the industrial management package it is developing with IBM. It is however spending a disproportionate amount - perhaps as much as half - of its £14.8m research and development revenues on the package business. Given the group's sound fundamentals and forward order book, a successful package business would be an already rich cake. Analysts are marking in pre-tax profits of £33m for 1994 giving 20.2p of earnings. On a historic price earnings ratio of 22.5, the shares look very reasonable.

Shares fall 7p as weaker current trading conditions are reported

London Forfeiting advances 19%

By Andrew Jack

London Forfeiting Company, the specialist trade finance house, yesterday reported profits up 19 per cent to £21.5m in the year to December 31 1993.

The shares dropped 7p on the day to close at 226p following a warning of poorer trading conditions so far this year compared with the same period last year.

Mr Jack Wilson, chief executive, said trading for the first few weeks of 1994 had been "less favourable" than in 1993 but that it was too early to make "useful comments about the year as a whole."

He refused to say how significant the difference was. "We are very pleased with the results," said Mr Wilson. A final dividend of 8.1p (5.5p) is recommended, making a total for the year up 10.7 per cent to 9.3p (8.4p). Earnings per share advanced to 16.15p (13.75p).

Tax rose to £5.3m (£4.3m), representing 25 per cent of pre-tax profits (24 per cent).

The company said that Mr Ooi Boon Ann, managing director of LFC Far East, who is based in Hong Kong, had joined the main board. It said it had also established London Forfeiting International, a UK subsidiary, during the year to act as holding company for its overseas subsidiaries.

It also said that it had strengthened its trading team and administrative systems, and created a central co-ordination department to boost internal audit and compliance work. "We are in the process of going from being a large small company to a small large company," said Mr Wilson.

Bank loans more than tripled from £21.6m to £71.1m during the year, while bank interest payable jumped from £332,000 to £2.38m. Interest receivable and income from certificates of deposit dropped from £3.46m to £1.96m.

COMMENT

Analysts ascribed yesterday's fall in the share price to the warning that its results for January and early February this year were lower than 1993. The company said this primarily reflected a timing difference with a bunching of completed deals which had not been repeated in 1994, as well as fluctuations in the Eurobond market. LFC's shares are at a discount, partly reflecting the

general malaise of the financial services sector and also the lack of understanding of forfeiting. In addition, there is the intriguing low tax charge, and the company's policy of relatively little disclosure, such as its refusal to report turnover, profits and net assets segmentally. There is no indication that this is likely to change in the annual report which is due out later this month.

Braime slips to £0.54m

Higher interest charges and lower income from investments led to pre-tax profits at TPA&T Braime (Holdings), the finished metal products, forging, pressing and stamping group, slipping from £582,608 to £544,412 in the year to December 31.

Turnover, however, was up at £6.85m (£6.51m). Trading profits were £2,000 down at £493,877, while investment income declined to £111,640 (£125,314). Interest took £50,105 (£27,583).

Unchanged final dividends of 8.5p are proposed for both the ordinary and A ordinary shares for same-again 8.75p totals. Earnings per share emerged at 23.29p (26.69p).

Reorganisation costs leave Woodchester halved at £17m

By Tim Coone in Dublin

Woodchester Investments, the Dublin-based leasing and banking group, has reported a halving of 1993 pre-tax profits from £35.4m to £17.1m (£16.4m), after an exceptional charge of £15m to fund restructuring.

Excluding the exceptional charge pre-tax profits showed a 9 per cent drop. The charge is "deemed fully adequate and of a once-off nature" and once complete, the restructuring plan "will lead to a significant improvement in the long-term profitability of the group".

Woodchester, in which Credit Lyonnais has a 47.97 per cent holding, has grown rapidly in Ireland in recent years, through eight acquisitions, and despite rationalisations the company says there remained "an unacceptably high cost base" and a number of "unprofitable product lines".

Its core car financing business grew by 16 per cent in the

period. In the UK the group reported a doubling of its motor finance business to £17.2m, but decided to discontinue two non-core activities, a commercial mortgage company and a trade finance subsidiary.

Reorganisation is also taking place in CL&E, the leasing subsidiary of Credit Lyonnais, in which Woodchester has a 30 per cent stake. Middle-ticket and small-ticket leasing is to be split into two divisions, the middle ticket section being managed through Credit Lyonnais bank network, while the small-ticket leasing and business equipment and vehicle finance is to be managed separately. Woodchester is to take direct responsibility for the small-ticket leasing business in Denmark and Portugal.

Total assets improved over the year from £1.4m to £1.5m with a 7 per cent capital adequacy ratio of 90 per cent. The drop in interest rates made this surplus capital earnings dilutive, the company said, and

the board regarded its prudent investment as a key priority.

Earnings per share were 8.25p (15.1p). A final dividend of 3.09p is proposed for a total of 5.17p (4.5p).

COMMENT

Woodchester's rapid expansion and diversification into banking through its strategic alliance with Credit Lyonnais, has not gone as smoothly as expected. The company's strong balance sheet however, together with its decision to clean out unprofitable lines of business and tackle its cost base, would seem to justify the increase in dividend as a means of maintaining shareholder loyalty, albeit that Credit Lyonnais will be the main beneficiary. Pre-tax profits of £17.1m in 1993 would seem to be attainable, giving earnings of 11.9p. A prospective p/e ratio of 10.5 is higher than Ireland's two main clearing banks, suggesting that any upturn is already priced in to the company's shares.

Share issue for NM Smaller Australian

By Bethan Hutton

NM Smaller Australian Companies investment trust is planning a conversion share issue to increase its size.

The fund was launched last December, less than three months ago, raising £26.8m with its initial placing. By the end of January, the trust's assets had grown by about

21 per cent to approximately £29m, and it is now capitalised at just over £30m. Shares in the trust have traded at a premium for most of its life.

Full details of the share issue are not yet available, but it is likely to take the form of a placing and open offer to existing share and warrant holders, rather than a public offer. The placing stage is expected to be completed by Easter, and the open offer to close by the end of April.

NM Funds Management is a subsidiary of the National Mutual Life Association of Australia, Australia's second largest life office. NM says the timing of the share issue is due to shareholder demand, and favourable economic conditions for investment in Australia.

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December, 1993

PARK PLACE

Park Place Holdings Limited has acquired 100% of the shares of Cominvest UK Limited

from
Cominvest International SA
(part of the Cragg & Partners Capital Investment Group)

Cominvest UK Limited has changed its name to
Park Place Capital Limited

Park Place Capital Limited is an investment manager specialising in global
hedging and directional investment strategies.

The board and executives of the company are
Stanislav M. Yessoulikovich - chairman
Giuseppe Ciardi - managing director Daniel Albani - investment manager
Christopher Shepherd - investment director Philip G. Hands - investment manager
Peter G. Spencer - finance director Michele Ragazzi - investment manager

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Cedar Data provides a range of commercial and financial management software known as *cedar* (Commercial and Financial Accounting Systems) for medium and large size organisations in both the public and private sectors.

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In addition, copies of the Listing Particulars can be obtained, by collection only, for two business days from the date hereof from the Company Announcements Office, The London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2.

COMPANY NOTICES



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Share Capital I.T.L. 417,6 BN

ISTITUTO PER LO SVILUPPO ECONOMICO DELL'ITALIA MERIDIONALE S.p.A.

ISVEIMER

By a corporate procedure initiated on September 8, 1993 and concluded on December 6, 1994, Istituto per lo Sviluppo Economico dell'Italia Meridionale changed its legal status from a public law credit institution of Italy into a limited liability company ("Società per azioni" or "S.p.A.").

The transformation was carried out pursuant to the provisions of Italian law No. 218/90, as amended and supplemented (the Amato Law) which provides, inter alia, that the majority of the shares of companies resulting from a transformation under the Amato law be held directly or indirectly by Italian public entities. The new by-laws of Isveimer actually reflect this condition and, at present, the majority of the shares in Isveimer is held by Banco di Napoli S.p.A., which is in turn majority owned

by Fondazione Banco di Napoli, a public law institution controlled by the Italian Ministry of the Treasury. The transformation did not involve any transfer of assets or liabilities or any novation and Isveimer continues to be a credit institution regulated by the Bank of Italy, performing mostly its traditional medium and long term lending activity within the Banco di Napoli Group.

Exceptional boosts Pegasus to £6.93m

By Alan Cane

Pegasus Group, supplier of accounting software for small and medium sized companies, showed sharply improved profitability last year after a change of management, a substantial disposal and the launch of a new flagship accounting system.

The company, based in Kettering, Northamptonshire, reported 1993 pre-tax profits of £8.35m, including exceptional

profits from the disposal of its business forms operations of £5.15m. Profits for the previous 17 months were £520,000, including exceptional credits of £337,000.

Earnings per share were

76.1p (7.7p) or excluding exceptional 7.8p (2.1p). A final dividend of 3p is proposed for a total of 5p, against 5p for the previous 17 months.

Turnover was £7.5m (£10.3m) including £2.61m (£3.75m) from discontinued activities.

Mr Jonathan Hubbard-Ford, appointed chief executive in a boardroom coup in December 1992, said the company was set for recovery following a poor diversification and acquisition programme which had damaged both cash flow and product development.

The company's business forms operations had been sold in total to Deluxe Corporation for £5.75m in cash plus a further estimated £1.25m. As a

result year-end cash balances stood at £8.28m. Net interest income contributed £229,000 (£297,000) to the pre-tax figure.

The company's share of the "modular" accounting systems market was up 5 percentage points to 32 per cent by value. Losses on software products were reduced to £319,000 (£1.04m), due to the launch of the latest version of Pegasus' principal accounting package, Senior.

The company's future, however, depends to a large extent on its new flagship product, Pegasus Opera.

It is thought to have taken 10 per cent of the modular market since its launch in September last year.

Computer People rises to £1.1m

Computer People, the London-based computer recruitment service and consultancy, last year saw a return to growth in revenues and pre-tax profits as the recession eased in the US and UK, writes Alan Cane.

Helped by strong control of overheads, pre-tax profits were greatly improved at £1.1m (£145,000) with earnings per share at 43.7p against losses of 0.97p.

Revenues were up 10 per cent to £88.75m (£82.74m).

A single, final dividend of 1.5p net is being paid.

Last year there was only an

interim of 0.66p.

Net borrowings are now down at £4.1m and the gearing has been reduced from 92 per cent to 75 per cent.

Computer People operates placement and consultancy services in the UK and consultancy services in the US.

Turnover for the UK business grew 13 per cent to £44.4m, while in the US dollar revenues fell 12 per cent, but operating profits rose 12 per cent to £399,000 as a result of improved margins and control of overheads.

Mr Anthony Lambie, joint chief executive, said the

group's strategy was to extend the range of services it provided to customers in the US and UK through organic growth and selective, strategic acquisitions.

There are two new non-executive directors: Mr Roger Graham, formerly chairman of the BIS Group before its acquisition by ACT and Mr Anthony Reeves who was chairman of Lifetime Corporation before it merged with the Olden Corporation.

Mr Lambie said he believed the group was now better prepared to handle downturns in its chosen markets.

NEWS DIGEST

Billam declines to £385,000

Pre-tax profits at J Billam, the Sheffield-based specialist engineer, fell 20 per cent from £479,000 to £385,000 in the 1993 year. The company blamed the recession in the aerospace industry.

Turnover advanced from £5.99m to £6.67m. Earnings per share were 15p (20.1p) and the proposed final dividend is maintained at 3.1p for an increased total of 5.3p (5p) for the year.

Action was being taken at the Aircraft and Sheet Metal Engineers offshoot in view of the downturn in aerospace. Billam's other subsidiaries achieved progress during the year.

directors of Vistec said they had satisfied themselves that the operation was now profitable.

Kenmare Resources

Kenmare Resources, the Dublin-based natural resources company, announced pre-tax profits of £21,238 (£20,400), for the six months to October 31 against losses of £194,027. Earnings per share were 0.03p, compared with losses of 0.12p.

The company has been concentrating on its Annaberg graphite project in northern Mozambique and is already producing usable graphite to industrial grade.

Select Industries

Increased pre-tax losses of £1.03m were announced by Select Industries, the distributor of the AirBoss wheel system in Europe, for the half year to December 31. Losses last year were £547,000.

Turnover rose to £459,000 (£261,000). However there was a jump in costs and overheads to £154m (£98,000) including the costs associated with the group's admittance to the USM in September.

Losses per share were 0.46p (0.34p).

The group is ultimately owned by AirBoss of Australia.

Fairbairn

Fairbairn, the contract management and property development group, has acquired Iford Park Developments from the receivers of Fairfield Park Development for £2 cash - its net asset value.

Iford has not traded, and its sole asset is 18.4 acres of residential land at Iford, Essex, which has indebtedness of £10.75m, which will be repaid from the sales proceeds of the development, without any further recourse to Fairbairn.

Arcon

After normal and one-off depreciation charges totalling £23.03m (£2.91m), pre-tax losses at Arcon International Resources, the Dublin-based mining group, deepened from £12.1m to £23.94m in the year to August 31.

The outcome was struck on turnover up from £198,000 to £1.53m and after interest payable static at £190,000. Losses per share emerged at 5.88p (2.34p).

DCS

DCS Group, computer software supplier formerly Nesco Investments, reported pre-tax profits down from £121,000 to £41,000 for the six months ended December 31, reflecting a big increase in administrative

costs.

Gross profit showed a 16 per cent rise to £1.4m (£1.1m) despite a fall in turnover from £2.9m to £2.5m, resulting from a realignment in product mix, with a greater proportion being in high margin software.

Earnings per share were 0.61p (1.36p).

Xtra-Vision

Xtra-Vision, the USM-traded video rentals group, is in the process of drawing up plans for a financial restructuring.

The company's syndicate of bankers have indicated their continuing support.

European Smaller

European Smaller Companies, the investment trust, reported net asset value of 135.8p at December 31, compared with 116.7p at June 30 and 104.6p a year earlier.

Net revenue for the six months to end-December showed losses of £31,000, against profits of £242,000. Earnings per share were nil, compared with 0.68p.

Quayle Muir

Quayle Muir Holdings, the Edinburgh-based financial services group which came to the main market last June, reported profits of £228,000 pre-tax for the six months to December 31.

The outcome, achieved on income of £246,000, was struck after an exceptional provision of £45,000 relating to service charges on a London office occupied by a subsidiary.

The group's net asset value expanded 24 per cent to £7.8m over the period. Mr Ian Jones, chief executive, said there was evidence of increasing economic activity.

An interim dividend of 3p is payable from earnings of 5.5p per share.

Tor Inv Trust

Net asset value of the split-capital Tor Investment Trust stood at £16.71p at January 31, repre-

Tomorrows Leisure losses deepen to £0.2m

By Chris Tighe

Tomorrows Leisure, the USM-listed hotels and leisure group based in north east England, reported deepening pre-tax losses for the six months to September 30 1993, down to £204,000 against £110,000 last time.

Operating profits were up at £476,000 (£264,000). However, increased interest charges of £280,000 (£394,000), as a result of the higher level of borrowing following the group's Pleasure Island investment, pushed the group into loss.

Turnover was ahead at £5.02m (£4.48m).

In November 1993, Tomorrows Leisure sold Lavender Park Golf Centre in Berkshire and surplus farm buildings in County Durham.

It said yesterday that more disposals of non-core assets are under active negotiation. Such disposals, to reduce the com-

pany's overdraft, and the achievement of certain minimum levels of trading contribution to Group profits this year, are conditions of the current support from its banker, Barclays, to March 31.

Negotiations have begun for facilities beyond this date.

"We are taking positive action on all fronts," said Tomorrows Leisure chairman Mr John Sanderson. He said some progress had been made on reducing debt, which stood at around £15m on September 30 1993.

Mr Sanderson said it was encouraging that Redworth Hall, the company's County Durham hotel, had increased operating profits by 22 per cent and that the sale of Lavender Park was at a value well above that reflected in the March 31 1993 balance sheet.

There was a loss per share of 1.7p (loss 0.9p).

B&F shares suspended

Shares in Bennett & Fountaine Group were suspended at 2.5p yesterday at the company's request.

The board of Bennett & Fountaine, the wholesaler and retailer of electrical goods being acquired by Marlowe Holdings, has expressed con-

cern that its shareholders may have insufficient information to assess the merits of Marlowe's offer. In view of this, Marlowe has agreed to extend the closing date of the offer until two weeks after the announcement of B&F's results.

Prudential Corp

Prudential Corporation's US subsidiary Jackson National Life Insurance saw a decrease in pre-tax earnings for 1993 from \$339.1m (£232m), to \$289.5m.

Premiums were down at \$2.05bn (£2.97bn). Assets increased to \$16.9bn (£14.8bn).

Countrywide Bank

Countrywide Banking Corporation, the New Zealand subsidiary of Bank of Scotland, achieved pre-tax profits of NZ\$41.5m (£16m) for the year to December 31.

The post-tax figures showed a profit of NZ\$27.5m, against a loss of NZ\$80.7m, after extraordinary costs of the merger with United Bank.

Gartmore Scotland

Net asset value per capital share at The Gartmore Scotland Investment Trust rose 26 per cent from 249p to 314.5p over the six months to January 1.

Gross revenue advanced to \$976,000 (£288,000) in the first half, on the back of £119,000 (nil) coming from enhanced scrip dividends. Interest on deposits fell to £28,000 (£28,000). Administrative expenses rose to £191,000 (£145,000) and net revenue to \$644,000 (£262,000).

Earnings were 4.76p (4.15p) per share and the second interim dividend is held at 2.4p for a total at the halfway stage of 4.8p.

Statement by the directors of Harmony Gold Mining Company Limited concerning the slimes dam disaster

The major focus of Management's attention is, and must remain the location of missing persons and the care of the victims.

In this regard every conceivable effort is being undertaken and operations are proceeding around the clock. No expense or effort will be spared until the completion of this task. Victims are being cared for where necessary and sufficient funds have been made available to address their immediate needs.

The cause of the dam failure remains unknown at this stage. Considerable speculation has occurred in the media regarding the extent to which Harmony Gold Mining Company Management and the slimes dam contractors, Fraser Alexander, are responsible for the disaster.

Such speculation, whilst understandable, is premature and is making an already difficult situation worse. The spread of rumours is serving to demoralise employees and divert attention and effort away from the immediate tasks of locating missing persons and caring for victims.

The Management of the mine urges the speedy establishment of official enquiries into the causes of the disaster and will co-operate fully with them.

We firmly believe that the legal process be allowed to follow its proper course without delay and the determination of liability must be left to the courts.

Rumours have also been circulating regarding the toxicity of the slimes. At this stage no one admitted to the Harmony Gold Mine hospital has been found to be suffering from any wound, skin irritation or dermatitis caused by it. The cyanide level is 1/5 the legal limit and the Ph stands at a level close to that of water, which is neutral.

Finally, we wish to once again record our thanks to all who have and are continuing to assist us, and to express our deepest condolences and sympathy to the families and friends of those who have been taken from us.

The Directors, Harmony Gold Mining Company Limited

Harmony Gold Mining Company Limited

(Incorporated in the Republic of South Africa) (Registration No. 05/3232/05)

JFS Turner (Chairman), EB Crocker (Managing Director), RR de Villiers, JC Hall, MR Heyns, AA Sealey, F Abbott (Alternate Director)

سكنا من الامم

£30.8m housing buy for Taylor Woodrow

By Andrew Taylor,
Construction Correspondent

Taylor Woodrow construction and property group is paying £30.8m to acquire the house-building assets of debt-laden Heron International, the property and trading company formerly controlled by Mr Gerald Ronson.

The deal is the latest in a series of land purchases by UK housebuilders, anxious to increase output to take advantage of the recovery in the UK housing market.

Heron last year concluded a £1.4bn refinancing, swapping some of its debt for equity.

It has been raising cash from disposals to meet its revised repayment obligations. Heron Corporation, the group's trading arm, has

already made early repayment of £150m which had been due at the end of next month.

The parent company, however, needs to repay a further £82.9m, also by the end of next month.

The former Heron land and homes in southern and south-west England and Cardiff.

The Heron housebuilding assets include about 1,100 housing sites and almost 200 homes in various stages of completion.

The purchase will allow Taylor Woodrow to increase its UK housebuilding.

Taylor Woodrow is a southern-based builder which has recently expanded its operations to Yorkshire and Humberside. It has also been restructuring its Scottish

operations. The company is thought to have sold approaching 1,000 homes last year and is looking to increase output further in the medium term.

Its recent land purchases are thought to have been averaging between £15,000 and £16,000 per plot.

The land acquired from Heron is thought to have cost slightly more per plot, so the purchase should also help Taylor Woodrow meet its aim of building larger, more expensive, higher margin homes.

The average price of a Heron home is about £85,000 compared with about £77,000 for a Taylor Woodrow home.

Mr Gerald Ronson remained as chief executive of Heron following the refinancing but was replaced as chairman by Lord Boardman, former chairman of NatWest Bank.

Losses deepen at Midland & Scottish

By David Blackwell

Midland & Scottish Resources, which is in the process of running down production at the Emerald oilfield east of Snetterton, yesterday reported a pre-tax loss of £18.4m for the six months to end-June last year.

The group blamed the loss on an exceptional charge of £17m, representing the write-off of capital expenditure incurred in drilling additional wells in the field, which proved unsuccessful. Turnover from continuing operations was £35.4m.

In first-half 1992 the group lost £1.9m on turnover of £1.9m. For the 1992-93 year the group was £13.6m in the red after writing off the entire value of the Emerald development.

In January Midland said its two subsidiaries that ran the oilfield had sent a proposal to their creditors for a voluntary arrangement under the Insolvency Act 1986.

Trafalgar House, owner of the Emerald Producer rig, and MSR, which owns the floating storage unit, have halted their charter rates until creditors have been paid 50p in the pound.

The field's life now hangs on when the operating equipment can be redeployed.

Midland's future depends on Spirit of Columbus, a floating production platform being built in Italy. The group said delivery was planned for the coming summer, and described prospects for its deployment as "good".

Administration expenses, including charges associated with the Italian project, were up from £2.1m to £4.6m. Net interest payable was £3.5m, compared with a previous £2,000,000.

Losses per share were 0.12p, against with 0.93p last time.

Acquisitions boost Lillehall

By Tim Burt

Contributions from new subsidiaries and reduced borrowings helped Lillehall, the industrial distribution and building products group, increase profits by 25 per cent last year.

Pre-tax profits rose to £3.9m (£3.12m) in the 12 months to December 31, thanks mainly to a combined gain of £771,000 from St Helens Glass and Jay Fasteners, which it acquired during the year.

The acquisitions - together with a full year's contribution from Barlow Fasteners, acquired in December 1992 -

boosted operating profits by 48.2 per cent to £4.27m (£2.88m).

Funds raised, meanwhile, by the group's £9.67m rights issue to acquire St Helens last September, were also used to cut borrowings by £5.04m, leaving year-end gearing at 3.2 per cent.

The Newbury-based group said yesterday it had taken advantage of low gearing and cash reserves of £3.55m (£3.74m) to acquire Tristia Fasteners, the UK subsidiary of Koninklijke KNP BT, the Dutch paper group.

Lillehall paid £582,151 cash and repaid £1.25m of inter-com-

pany debt with a further £300,000 payable at the end of 1994. Mr John Leek, chairman, said the acquisition would lead to a significant expansion of Lillehall's industrial consumables division.

The industrial consumables division, dominated by fastener manufacturing, was last year the only sector to report increased profits.

A rationalisation programme and significant income from Barlow Fasteners helped the division make an £806,000 profit, compared with a £363,000 loss last time.

Although it was the smallest contributor to group operating

profits, Mr Leek said its results were encouraging compared with the "very disappointing" performance of building products, the company's largest division.

Profits from building products - including St Helens Glass - fell to £2.24m (£2.31m). Pressure on margins also hit the plastics and engineering division, which saw profits decline to £1.57m (£1.65).

All the divisions, however, earned sales and group turnover rose 16 per cent to £60.5m. Earnings per share rose to 10p (9.2p), and the final dividend is lifted from 2.65p to 2.85p, making 4.55p.

Corporate Services in profit

Following its midway turnaround to profits, Corporate Services Group, the USM-quoted recruitment agencies and services concern, finished 1993 with pre-tax profits of £577,000, compared with losses of £1.55m.

Earnings per share were 2.73p, against losses of 5.04p, while the company returns to the dividend list with a proposed distribution of 0.25p.

Mr Jeffrey Fowler, chairman, who reported turnover up from £31.3m to £42.1m over the 12 months, said he looked forward to continued growth in the current year.

He stated that steps had been taken to rationalise the cost structure of acquisitions made during the year.

Upton & Southern cuts losses to £321,000 after reorganisation

Following a period of reorganisation, Upton & Southern Holdings, the retailer which is buying the Reject Shop chain, reported reduced losses for the 52 weeks to January 23.

The pre-tax deficit for the period amounted to £321,000, against £636,000 for the previous 52 weeks. Turnover fell from £10.7m to £8.67m, of which £885,000 (£3.79m) came from discontinued operations. Losses per share were reduced from 7.03p to 0.29p.

In the latter 24 weeks of the period the company swung back into the black with a profit before tax of £176,000. However, this included a £92,000 profit from the sale of

the Huddersfield investment property and the company's participation in a development in Kettering, the directors said.

Upton has changed its year end to July 31, a move made in contemplation of the proposed acquisition for £2.5m of The Reject Shop.

Agreement had been reached on the purchase which, for management accounting purposes, would be operated as a separate cost centre from the group's retail business, said Mr James Hodgkinson, Upton's chairman.

The benefits from the acquisition would be seen in the new accounting year commencing August 1, he added.

Canadian Pizza just ahead of forecast with £3.2m

By Simon Davies

Canadian Pizza, the recently-floated pizza and pasta maker, announced pre-tax profits of £3.2m for 1993, marginally ahead of its prospectus forecast.

Sales were constrained during the second half as the Salford manufacturing plant reached full capacity, but a £1.2m upgrade has now been completed, adding 30 per cent capacity.

Turnover increased by 17.6 per cent to £17.9m during 1993, and operating profit margins were maintained, in spite of continued pricing pressure in its main business, the sale of pizza crusts to retailers.

Retail sales grew by 20 per cent, accounting for 54 per cent of turnover and 38 per cent of

profits. The other significant area of growth was export sales, which grew by 8 per cent to £4.7m, primarily on sales to continental Europe.

The company is looking at sites for a manufacturing operation in continental Europe. This is likely to be built in France, involving a maximum investment of £10m. Construction should start in 1995. It is also looking to expand sales to the Pacific Rim.

The company raised £15m from its November flotation in November, which paid off senior debt and preference shares, leaving the company unencumbered. It said it would not call on shareholders to fund any expansion plans.

Earnings per share amounted to 12.9p, and a final dividend of 3.6p is proposed, in line with its prospectus forecast.

Healthcare Holdings talks off

Healthcare Holdings, an owner and operator of hospitals, has invited its bankers to appoint a receiver after talks with a third party failed to produce an offer for it.

The company had said on January 26 that it had entered into non-binding heads of agreement with a third party on a recommended offer. It

said yesterday that no final agreement had been reached.

The directors of Healthcare said that after lengthy discussions with all parties the board had concluded that there was no longer any reasonable prospect of completing a deal which would safeguard the interests of creditors and preserve value for shareholders.

Shares in Healthcare were suspended in January at the company's request, and publication of the results for the 18 months to June 30 1993 was delayed pending the outcome of restructuring talks.

Mr Paul Jarrett and Mr James Hughes have resigned as directors, but will provide assistance to the receiver.

High-Point falls to £93,000

Pre-tax profits of High-Point, the specialist consultancy and project promotion company, fell from £166,000 to £93,000 in the six months to November 30.

The outcome was achieved on turnover down from £28.1m to £22.6m, however, last year's figure included almost £5m from discontinued operations.

The interest charge was almost halved, from £1.03m to £589,000, principally, the directors said, because of the lower level of borrowings. Earnings per share emerged at 0.8p (3.1p).

UK operations were still suffering the effects of what is, hopefully, the tail end of the recession, the company said, while the US had a disappointing half year, mainly due to lack of activity in certain of its east coast operations.

Asia and the Pacific Rim was, however, achieving expectations regarding both growth and profitability, it added.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES					JAPAN					GERMANY					FRANCE					ITALY					UNITED KINGDOM					
Year	Index	Change	Index	Change	Year	Index	Change	Index	Change	Year	Index	Change	Index	Change	Year	Index	Change	Index	Change	Year	Index	Change	Index	Change	Year	Index	Change	Index	Change	
1985	100.0		100.0		100.0		100.0			100.0		100.0			100.0		100.0			100.0		100.0			100.0		100.0			
1986	105.5	5.5	103.0	-2.5	106.5	6.5	105.0	-1.5		106.5	6.5	105.0	-1.5		106.5	6.5	105.0	-1.5		106.5	6.5	105.0	-1.5		106.5	6.5	105.0	-1.5		
1987	108.4	2.9	106.0	-2.4	108.4	2.9	106.0	-2.4		108.4	2.9	106.0	-2.4		108.4	2.9	106.0	-2.4		108.4	2.9	106.0	-2.4		108.4	2.9	106.0	-2.4		
1988	112.6	4.2	110.7	-1.9	112.6	4.2	110.7	-1.9		112.6	4.2	110.7	-1.9		112.6	4.2	110.7	-1.9		112.6	4.2	110.7	-1.9		112.6	4.2	110.7	-1.9		
1989	115.6	3.0	112.4	-3.2	115.6	3.0	112.4	-3.2		115.6	3.0	112.4	-3.2		115.6	3.0	112.4	-3.2		115.6	3.0	112.4	-3.2		115.6	3.0	112.4	-3.2		
1990	118.5	2.5	115.2	-3.3	118.5	2.5	115.2	-3.3		118.5	2.5	115.2	-3.3		118.5	2.5	115.2	-3.3		118.5	2.5	115.2	-3.3		118.5	2.5	115.2	-3.3		
1991	114.2	-4.6	110.3	-5.9	114.2	-4.6	110.3	-5.9		114.2	-4.6	110.3	-5.9		114.2	-4.6	110.3	-5.9		114.2	-4.6	110.3	-5.9		114.2	-4.6	110.3	-5.9		
1992	117.8	3.2	112.9	-5.1	117.8	3.2	112.9	-5.1		117.8	3.2	112.9	-5.1		117.8	3.2	112.9	-5.1		117.8	3.2	112.9	-5.1		117.8	3.2	112.9	-5.1		
1993	117.8	0.0	112.9	0.0	117.8	0.0	112.9	0.0		117.8	0.0	112.9	0.0		117.8	0.0	112.9	0.0		117.8	0.0	112.9	0.0		117.8	0.0	112.9	0.0		
1st qtr 1993	3.7	4.4	6.8	82.2	117.7	-6.9	-5.1	2.3	115.5	123.3	-4.7	-8.8	5.3	213.4	106.5	-3.9	-2.6	11.0	96.6	106.1	2.2	-4.3	9.0	113.4	3.2	1.8	10.5	73.9	116.6	1st qtr 1993
2nd qtr 1993	5.3	3.8	6.9	83.7	117.3	-8.0	-4.3	2.4	106.2	124.9	-3.7	-8.2	5.6	207.8	109.0	1.1	-4.2	11.5	91.6	107.3	1.1	-4.0	10.8	114.7	3.0	2.7	10.3	74.1	117.1	2nd qtr 1993
3rd qtr 1993	5.9	4.2	6.7	85.0	119.7	-5.1	-3.8	2.5	101.3	126.7	-2.1	-6.3	5.9	193.8	112.0	0.9	-2.9	11.7	85.0	108.3	0.9	-1.2	10.3	118.6	3.8	2.7	10.4	77.1	120.4	3rd qtr 1993
4th qtr 1993	4.2	4.2	6.4	88.4	123.0	-4.8	-2.8	101.0	126.7	-5.5	-3.1	6.3	175.5	113.5	0.0	-1.8	12.0	85.4	110.9	0.0	-1.2	10.3	118.6	3.7	3.5	10.0	84.7	121.4	4th qtr 1993	
February 1994	3.2	4.5	6.9	85.5	117.7	-6.9	-6.8	2.3	113.0	121.7	-4.6	-11.6	5.3	213.4	106.4	-3.9	-2.6	11.0	96.6	106.9	-4.5	-4.3	n.a.	112.9	2.9	1.9	10.5	73.4	116.1	February 1994
March	3.0	4.2	6.8	82.8	117.7	-8.2	-2.0	2.3	123.8	123.3	-1.8	-8.5	5.5	211.0	108.8	4.3	-3.0	11.2	96.0	106.1	0.3	-4.7	n.a.	113.4	4.0	1.8	10.4	73.0	116.5	March
April	4.7	3.9	6.9	82.8	117.0	-6.9	-4.1	2.3	108.8	124.8	-2.2	-11.4	5.5	210.9	107.4	1.1	-5.1	11.4	95.0	106.8	-3.8	-3.8	n.a.	113.7	2.7	1.0	10.3	74.6	116.7	April
May	6.2	3.0	6.9	85.1	117.1	-4.6	-4.2	2.5	102.6	125.0	-5.6	-8.2	5.8	207.8	107.8	-3.1	-3.6	11.3	91.1	107.8	-9.9	-4.8	n.a.	114.7	2.4	4.5	10.3	74.9	116.8	May
June	6.0	4.0	6.8	83.1	117.3	-8.0	-4.8	2.5	106.4	124.9	-3.4	-7.4	5.7	206.2	109.0	5.3	-3.7	11.6	91.0	107.3	-3.9	-3.9	n.a.	114.7	3.9	2.7	10.3	72.8	117.1	June
July	6.1	3.8	6.7	85.6	118.1	-5.8	-4.5	2.5	100.8	125.2	-3.7	-7.7	5.8	202.7	110.0	1.8	-2.6	11.7	93.9	106.9	-3.3	-3.3	n.a.	115.7	4.4	3.6	10.4	77.1	117.9	July
August	5.7	4.7	6.7	85.7	118.7	-4.1	-2.6	2.5	103.3	126.6	-6.5	-6.5	5.9	194.2	111.2	-0.9	-3.0	11.7	90.4	107.4	0.4	-0.4	n.a.	117.0	3.8	2.6	10.4	77.4	118.2	August
September	5.6	4.4	6.6	85.5	116.7	-5.5	-4.4	2.9	99.9	126.7	-1.8	-7.7	6.1	183.7	112.0	2.1	-3.2	11.8	90.8	106.3	-0.7	-0.7	n.a.	116.8	3.4	2.1	10.4	76.9	120.4	September
October	5.6	4.1	6.8	88.5	120.8	-5.2	-6.6	2.7	99.3	127.2	-3.7	-4.0	6.2	174.7	112.7	-1.8	-4.5	12.0	83.7	109.0	-1.7	-1.7	n.a.	119.5	3.2	2.5	10.2	81.2	120.7	October
November	5.6	4.2	6.4	88.9	122.0	-7.8	-3.2	2.8	104.2	127.0	-3.0	-3.8	6.3	174.7	113.1	2.2	-4.3	12.0	86.2	110.2	-1.1	-1.1	n.a.	121.3	3.6	3.9	10.0	85.2	120.7	November
December	4.5	4.5	6.3	70.7	123.0	-4.8	-2.	2.9	102.4	127.0	-7.7	-1.2	6.3	170.7	113.5	0.2	-0.1	12.0	87.3	110.9	0.2	-0.1	n.a.	121.3	4.1	4.0	9.8	87.8	121.4	December
January 1994	4.8	4.8	6.5	75.5	123.0	-4.8	-3.1	2.9	102.4	127.0	-7.7	-1.2	6.3	170.7	113.5	0.2	-0.1	12.0	87.3	110.9	0.2	-0.1	n.a.	121.3	3.6	3.9	10.0	85.2	120.7	January 1994

COMMODITIES AND AGRICULTURE

China seen pushing copper market into supply deficit

By Kenneth Gooding, Mining Correspondent

China's huge appetite for copper would help the market in the western world move to a supply shortage this year after two years of surpluses, according to Mr Richard Osborne, chairman of Asarco, the US metals group.

He said yesterday that, although government measures to control inflation in China were forecast to cut the annual growth in its copper consumption from an average of 12.5 per cent since 1989 to 3 per cent this year, the republic's imports of the metal would grow by twice that rate, from 500,000 short tons (2,000,000 metric tons) last year to 1,000,000 short tons this year.

Meanwhile, Asarco predicted exports to the west by Poland would rise from 281,000 tons to 295,000 tons but Russian exports were likely to slip from

325,000 to 281,000 tons. This would give a modest fall in net imports to the west, from 289,000 to 262,000 tons.

Asarco expected copper consumption outside the former eastern bloc countries to grow by nearly 3 per cent in 1994, from just over 10m tons last year to 10.3m tons, while production of refined copper was predicted to go up by only 0.6 per cent, from 9.5m to 10m tons.

This would leave a supply deficit of 61,000 tons compared with surpluses of 140,000 tons last year and 35,000 tons in 1993.

Mr Osborne, at a meeting with investment managers and analysts in London, predicted copper stocks in the west, at present equivalent to seven weeks consumption, would start coming down towards the five weeks with which the industry was comfortable.

Dealing with other some metals, Mr Osborne forecast that the lead market would also move to a supply deficit this year - one of 20,000 tons - while surpluses of 131,000 tons in 1993 and 168,000 tons in 1992.

On the other hand, the zinc market was forecast to show a surplus for the fifth consecutive year: one of 124,000 tons against 460,000 tons in 1993 and 450,000 tons in 1992.

Mr Osborne pointed out that demand for silver had out-paced supply for the past five years and suggested that the excess stocks built up in the 1980s would be eliminated in two years. Asarco would not re-open its three silver mines until there was a long-term all-year price of \$7 a troy ounce. "The odds on that happening are improving each month. Perhaps we will see that before the decade is out."

Karen Fossell in Oslo

Norway's Labour government is proposing a comprehensive overhaul of energy policy in a desperate attempt to stimulate petroleum activities and stem a steep decline in crude oil production after 1996.

The country is western Europe's biggest oil producer with daily output of 2.4m barrels, and is the fourth biggest crude oil exporter in the world. Oil companies argue the best way to boost activities is to ease the stringent tax regime. But in a White Paper presented last Friday to the Storting, Norway's parliament, the controversial tax issue went unmentioned.

In the White Paper, the government recommended that exploration acreage be expanded by 18 per cent and rules for exploring in the Barents Sea be reformed to make it more attractive. It also intends to speed up the process for approving oil discoveries. A number of proposals were made to streamline licensing rules and management of the state's oil and gas resources. Environmentalists and fishermen fiercely oppose the move to expand exploration to the Skagerrak, about 50km off the northern coast of Norway, and to new areas of the Norwegian Sea, off the coast of mid-Norway. Under the proposals, in the Skagerrak, just four

exploration wells will be allowed to be drilled; only one rig will be allowed to work in the area at a time; and, drilling during the summer - peak harvest season for prawns - has been ruled out.

In the Norwegian Sea, six wells will be allowed in the Nordland VI area during a limited period of the year with just one rig operating at a time. In the Barents Sea, where 52 wells have so far failed to yield any commercial discoveries, changes to licensing conditions have been proposed to cut the cost of exploring there.

Norway has little choice but to stimulate oil activity; not only will output decline dramatically in two years time,

from a peak of 3.6m barrels a day, but the country is also faced with stiffer competition for oil company investment.

Last year Norway boosted recoverable petroleum reserves by 259m tonnes of oil equivalent to 5.89m tonnes, but the increase was due to adjustments to reserves of producing fields and discoveries not yet developed, rather than to exploration success. Out of a total of 18 wildcat exploration wells drilled in 1993, just three small discoveries were made, yielding only 5m tonnes, an "unsatisfactory result", says the Norwegian Petroleum Directorate, the industry watchdog, and far less than in the previous two years.

Investment in the petroleum sector is forecast to fall dramatically in two years from about Nkr50bn (\$5.4bn) in 1993 unless new oil fields are discovered.

The size of new discoveries is expected to diminish to an average 30m tonnes of oil equivalent, compared with 90m tonnes for fields now producing 40m tonnes for those now being developed.

Blocks located within the new acreage are to be offered for licence application by the beginning of next year, with award by the start of 1996. This timetable, says the government, could enable development to commence by 2005 with first production in 2010.

MARKET REPORT

Copper rallies after early fall

COPPER prices recovered early losses at the London Metal Exchange yesterday while the ALUMINIUM market remained nervous as the second round of interest government talks on the industry got under way in Ottawa.

The three months copper price drifted down to \$1.89 a tonne in the morning, but support at that level held once more and the price bounced to \$1.92 before closing the hour "kerb" session at \$1.88, up 5¢ on the day. Dealers thought, however, that another test of underlying support was likely soon unless further headway was made on the upside.

Aluminium prices were depressed initially by an indication by Comalco of Australia of reluctance to cut output at its "efficient" Boyne Island and Pinal points smelters. But later news that Alcoa of Bahrain was discussing possible output cuts

with other Middle Eastern producers, a change of tack from its previous position, gave prices a lift. The three months price, which had dipped to \$1.30 a tonne at one point, ended the kerb session at \$1.30, down 7.5¢ from Friday.

The ZINC market was hit by Japan's trade and industry ministry showing domestic stocks sharply up in January and the European Zinc Institute releasing similar data for world smelters' stocks. Dealers said this once again underlined the problem facing the world's zinc industry and the three months price fell to \$969 a tonne, down 57¢. Dealers noted that zinc trading was subdued, with many participants attending an industry conference in the U.S.

At the London Commodity Exchange COFFEE and COCOA futures extended morning retreats, last week's failure to break through key

resistance causing the two markets to slide towards technical support, traders said.

By the close May delivery coffee, further depressed by a weak opening in New York, had fallen 5¢ on the day to \$1.215 a tonne.

Traders said there was little fresh news to help the market out of the current doldrums and some predicted a test of support at \$1.200 or even the chart gap between \$1.185 and \$1.190 later this week.

Cocoa fared little better. The May position ending 11¢ down at \$910 a tonne.

Dealers said, however, that there had been pockets of trade buying around and they expected the slide to run out of steam before May reached the psychologically-important \$900 mark. "The market has stalled under a bit of switching pressure but I don't think we're into a reversal yet," one said. Compiled from Reuters

Argentina farmers find stability hard to live with

Hyper-inflation had offered opportunities for easy profits that have now disappeared

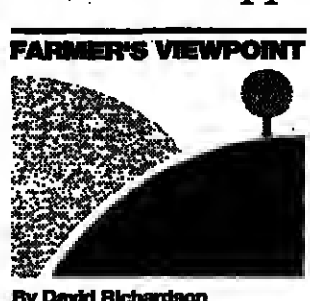
Eduardo Zavalla, a big man in his mid fifties, looks every inch a farmer. Indeed he owns 1,200 hectares of land, which produces maize and barley as well as providing the grazing for a herd of dairy cows with an annual yield of about 2m litres and most of the feed for a herd of pigs.

But these days he spends much of his time 200km away from the farm in an ornate office overlooking a pedestrian shopping street in Buenos Aires. For Mr Zavalla is the president of Sociedad Rural Argentina, the biggest of the country's four farmers' trade unions, and in these troubled times for his members this is a full time job.

One of his sons manages the farm and another, an economist, is his assistant in Buenos Aires.

Ironically the problems being experienced by Argentine farmers result directly from the success their government is having in tackling the country's previous economic crisis. Only a few years ago Argentina had hyper-inflation running at 500 to 600 per cent a year.

Several pampas farmers had



By David Richardson

in new technology during those years. In consequence the machinery on most farms is old and unreliable and even now, though the country's currency has been stable since it was pegged to the US dollar on April 1, 1991 there is insufficient capital available to replace worn out equipment.

In advance of the currency measures, President Menem's Peronist administration had increased wages and provided modest pensions for all, thereby increasing farm production costs. Meanwhile the value of farm commodities on world markets had fallen, reducing income from exports; a combination of factors that has left many farmers in real financial difficulties.

Mr Zavalla points out that agriculture accounts for between two thirds and three quarters of Argentina's export earnings and claims it should, therefore escape some of the strict monetary policies imposed on the rest of the economy. He does not accept that any economic policy should be imposed indiscriminately across all industries and says he has asked the government to give aid to farmers to enable them to bring their

technology up to date, to provide advice to help them adjust to the new circumstances; and to bring down interest rates on their borrowings, at present between 16 and 24 per cent.

Predictably, Mr Felipe Sala, Argentina's secretary of agriculture does not agree. "Dr Zavalla is not an economist, he is a trade unionist," he says. And although the agriculture secretary accepts that some sectors of Argentina's agriculture are in trouble and that many thousands of small farmers will go out of business, he argues: "Now fixed exchange rates are a certainty" most of the solutions are in the viable farmers' own hands.

The inertia bred by 25 years of subsidised agriculture has led farmers to look to government to solve all their problems, he adds. What farmers need to do is to look to their own shortcomings in production, presentation and marketing. That way they can stop imports of commodities that are already produced somewhere across the vast tracks of Argentina and also make it easier and more profitable to export to other countries.

In any case, he explains, if the government aids one sector

it will be forced to aid all, and that could wreck a policy that has led to growth in national output of almost 5 per cent in each of the past two years.

Behind Mr Zavalla's attempts to achieve special concessions for his members there is clear acceptance that the changes brought about by the Menem administration were vitally necessary. "What we have to do," he says, "is to learn to manage change."

I cannot not help thinking that the problems of Argentine farmers are the potential problems of British farmers, writ large. The UK may not be a third world country struggling to join the first world; it may not have had such a volatile recent history. But British agriculture will shortly have to suffer a shock similar to that in Argentina when the European Union's guaranteed price system all but disappears. It will be faced with even stiffer competition for domestic and export food markets and it too will need to cure its own shortcomings to survive.

As a British farmer I would be very wrong indeed to feel superior to my Argentine competitors. I am just more fortunate, for the time being.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Metalmarkets Metal Trading)

ALUMINIUM, 99.7 Purity (\$ per tonne)

Close 1288.5-9.5 1311-2

Previous 1292.5 1314.5

High/Low 1282.5/1292 1315.0/1304

AM Official 1292-2.5 1314.5-15

Kerb close 1292-2.5 1309-10

Open Int. 270,715

Total daily turnover 3,297

ALUMINIUM ALLOY (\$ per tonne)

Close 1142-5 1162-5

Previous 1150-5 1170-5

High/Low 1142-5 1162-5

AM Official 1140-5 1163-8

Kerb close 1140-5 1163-8

Open Int. 3,836

Total daily turnover 600

LEAD (\$ per tonne)

Close 471.5-2.5 485-5

Previous 474.5-2.5 489-5

High/Low 474.5-2.5 489-5

AM Official 476-5 490-5

Kerb close 476-5 484-5

Open Int. 34,934

Total daily turnover 1,531

NICKEL (\$ per tonne)

Close 5895-70 5915-20

Previous 5870 5835/5870

High/Low 5870 5835/5870

AM Official 5895-70 5920-25

Kerb close 5895-70 5915-20

Open Int. 51,851

Total daily turnover 14,983

TIN (\$ per tonne)

Close 5445-50 5490-5

Previous 5470-50 5490-5

High/Low 5470-50 5490-5

AM Official 5475-50 5525/5490

Kerb close 5475-50 5505-10

Open Int. 20,153

Total daily turnover 2,598

ZINC, special high grade (\$ per tonne)

Close 947-0 952-7

Previous 955.5-6.5 973-4

High/Low 955.5-6.5 973-4

AM Official 950.5-1.5 965.5-3.0

Kerb close 950.5-1.5 965.5-3.0

Open Int. 109,351

Total daily turnover 12,293

COPPER, grade A (\$ per tonne)

Close 1890-1 1893.5-84

Previous 1884-5 1882/1878

High/Low 1884-5 1882/1878

AM Official 1893.5-84 1895.5-7.0

Kerb close 1893.5-84 1895.5-7.0

Open Int. 249,107

Total daily turnover 39,506

LME AM Official 2/5 rates 1.4870

LME Closing 2/5 rates 1.4870

PRECIOUS METALS CONTINUED

GOLD COMEX (100 Troy oz; \$/troy oz.)

Close 381.4 +2.2 381.5

Previous 381.4 +2.2 381.5

High/Low 381.4 +2.2 381.5

AM Official 381.4 +2.2 381.5

Kerb close 381.4 +2.2 381.5

Open Int. 147,300

Total daily turnover 23,385

PLATINUM NYMEX (50 Troy oz; \$/troy oz.)

Close 387.2 +4.3 387.5

Previous 387.2 +4.3 387.5

High/Low 387.2 +4.3 387.5

AM Official 387.2 +4.3 387.5

Kerb close 387.2 +4.3 387.5

Open Int. 14,948

Total daily turnover 1,447

PALLADIUM NYMEX (100 Troy oz; \$/troy oz.)

Close 136.10 +0.86 136.25

Previous 136.10 +0.86 136.25

High/Low 136.10 +0.86 136.25

AM Official 136.10 +0.86 136.25

Kerb close 136.10 +0.86 136.25

Open Int. 5,874

Total daily turnover 2,120

SILVER COMEX (100 Troy oz; \$/troy oz.)

Close 525.8 +1.0 526.0

Previous 525.8 +1.0 526.0

High/Low 525.8 +1.0 526.0

AM Official 525.8 +1.0 526.0

Kerb close 525.8 +1.0 526.0

Open Int. 52,815

Total daily turnover 17,957

ENERGY

CRUDE OIL NYMEX (\$/barrel)

Close 14.08 +0.11 14.19

Previous 14.08 +0.11 14.19

High/Low 14.08 +0.11 14.19

AM Official 14.08 +0.11 14.19

Kerb close 14.08 +0.11 14.19

Open Int. 15,200

Total daily turnover 47,223

NATURAL GAS NYMEX (\$/100 cu ft)

Close 14.08 +0.11 14.19

Previous 14.08 +0.11 14.19

High/Low 14.08 +0.11 14.19

AM Official 14.08 +0.11 14.19

Kerb close 14.08 +0.11 14.19

Open Int. 15,200

Total daily turnover 47,223

GAS OIL NYMEX (\$/barrel)

Close 14.08 +0.11 14.19

Previous 14.08 +0.11 14.19

High/Low 14.08 +0.11 14.19

AM Official 14.08 +0.11 14.19

Kerb close 14.08 +0.11 14.19

Open Int. 15,200

Total daily turnover 47,223

NATURAL GAS NYMEX (\$/100 cu ft)

Close 14.08 +0.11 14.19

Previous 14.08 +0.11 14.19

GRAINS AND OIL SEEDS

WHEAT LCE (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

WHEAT LCE (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

MAIZE LCE (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

BARLEY LCE (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

SOYBEANS CBOT (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

SOYBEAN OIL CBOT (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

SOYBEAN MEAL CBOT (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

AM Official 102.40 +1.00 102.40

Kerb close 102.40 +1.00 102.40

Open Int. 10,000

Total daily turnover 2,171

POTATOES LCE (\$/cwt)

Close 102.40 +1.00 102.40

Previous 102.40 +1.00 102.40

High/Low 102.40 +1.00 102.40

HEALTH CARE

INVESTMENT TRUSTS - Cont.[illegible]

TRANSPORT - Cont

YR	QTY	UNIT	DESCRIPTION	PRICE
1980	1.0	100	100	100
1981	1.0	100	100	100
1982	1.0	100	100	100
1983	1.0	100	100	100
1984	1.0	100	100	100
1985	1.0	100	100	100
1986	1.0	100	100	100
1987	1.0	100	100	100
1988	1.0	100	100	100
1989	1.0	100	100	100
1990	1.0	100	100	100
1991	1.0	100	100	100
1992	1.0	100	100	100
1993	1.0	100	100	100
1994	1.0	100	100	100
1995	1.0	100	100	100
1996	1.0	100	100	100
1997	1.0	100	100	100
1998	1.0	100	100	100
1999	1.0	100	100	100
2000	1.0	100	100	100
2001	1.0	100	100	100
2002	1.0	100	100	100
2003	1.0	100	100	100
2004	1.0	100	100	100
2005	1.0	100	100	100
2006	1.0	100	100	100
2007	1.0	100	100	100
2008	1.0	100	100	100
2009	1.0	100	100	100
2010	1.0	100	100	100
2011	1.0	100	100	100
2012	1.0	100	100	100
2013	1.0	100	100	100
2014	1.0	100	100	100
2015	1.0	100	100	100
2016	1.0	100	100	100
2017	1.0	100	100	100
2018	1.0	100	100	100
2019	1.0	100	100	100
2020	1.0	100	100	100
2021	1.0	100	100	100
2022	1.0	100	100	100
2023	1.0	100	100	100
2024	1.0	100	100	100
2025	1.0	100	100	100
2026	1.0	100	100	100
2027	1.0	100	100	100
2028	1.0	100	100	100
2029	1.0	100	100	100
2030	1.0	100	100	100
2031	1.0	100	100	100
2032	1.0	100	100	100
2033	1.0	100	100	100
2034	1.0	100	100	100
2035	1.0	100	100	100
2036	1.0	100	100	100
2037	1.0	100	100	100
2038	1.0	100	100	100
2039	1.0	100	100	100
2040	1.0	100	100	100
2041	1.0	100	100	100
2042	1.0	100	100	100
2043	1.0	100	100	100
2044	1.0	100	100	100
2045	1.0	100	100	100
2046	1.0	100	100	100
2047	1.0	100	100	100
2048	1.0	100	100	100
2049	1.0	100	100	100
2050	1.0	100	100	100
2051	1.0	100	100	100
2052	1.0	100	100	100
2053	1.0	100	100	100
2054	1.0	100	100	100
2055	1.0	100	100	100
2056	1.0	100	100	100
2057	1.0	100	100	100
2058	1.0	100	100	100
2059	1.0	100	100	100
2060	1.0	100	100	100
2061	1.0	100	100	100
2062	1.0	100	100	100
2063	1.0	100	100	100
2064	1.0	100	100	100
2065	1.0	100	100	100
2066	1.0	100	100	100
2067	1.0	100	100	100
2068	1.0	100	100	100
2069	1.0	100	100	100
2070	1.0	100	100	100
2071	1.0	100	100	100
2072	1.0	100	100	100
2073	1.0	100	100	100
2074	1.0	100	100	100
2075	1.0	100	100	100
2076	1.0	100	100	100
2077	1.0	100	100	100
2078	1.0	100	100	100
2079	1.0	100	100	100
2080	1.0	100	100	100
2081	1.0	100	100	100
2082	1.0	100	100	100
2083	1.0	100	100	100
2084	1.0	100	100	100
2085	1.0	100	100	100
2086	1.0	100	100	100
2087	1.0	100	100	100
2088	1.0	100	100	100
2089	1.0	100	100	100
2090	1.0	100	100	100
2091	1.0	100	100	100
2092	1.0	100	100	100
2093	1.0	100	100	100
2094	1.0	100	100	100
2095	1.0	100	100	100
2096	1.0	100	100	100
2097	1.0	100	100	100
2098	1.0	100	100	100
2099	1.0	100	100	100
2100	1.0	100	100	100

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FT MANAGED FUNDS SERVICE

● FT Citiline Unit Trust Prices are available over the telephone. Call the FT Citiline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

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MONEY MARKET FUNDS

D-Mark moves higher

Not all observers were as sanguine. Mr Paul Chertkow, head of global currency research at UBS, said the variable repo would help, but markets remained "incredibly nervous." He said that, although UBS's three month prognosis for the dollar remained positive, the short-term outlook was "very depressed".

Mr Chertkow placed the blame for the current uncertainty squarely with the US government. "The Clinton administration is playing with fire and it could very easily get out of control." He said a financial meltdown similar to October 1987 was possible.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Year	Month	Day	Time	Temp	Wind	Humidity	Pressure	Clouds	Visibility	Remarks
1950	Jan	1	0800	32	10	75	30.1	100	10	Clear
1950	Jan	2	0800	32	10	75	30.1	100	10	Clear
1950	Jan	3	0800	32	10	75	30.1	100	10	Clear
1950	Jan	4	0800	32	10	75	30.1	100	10	Clear
1950	Jan	5	0800	32	10	75	30.1	100	10	Clear
1950	Jan	6	0800	32	10	75	30.1	100	10	Clear
1950	Jan	7	0800	32	10	75	30.1	100	10	Clear
1950	Jan	8	0800	32	10	75	30.1	100	10	Clear
1950	Jan	9	0800	32	10	75	30.1	100	10	Clear
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1950	Jan	13	0800	32	10	75	30.1	100	10	Clear
1950	Jan	14	0800	32	10	75	30.1	100	10	Clear
1950	Jan	15	0800	32	10	75	30.1	100	10	Clear
1950	Jan	16	0800	32	10	75	30.1	100	10	Clear
1950	Jan	17	0800	32	10	75	30.1	100	10	Clear
1950	Jan	18	0800	32	10	75	30.1	100	10	Clear
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1950	May	20	0800	32	10	75	3			

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101	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00										
102	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00									
103	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00								
104	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00							
105	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00						
106	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00					
107	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00				
108	1.08	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00			
109	1.09	1.08	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00		
110	1.10	1.09	1.08	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00	
111	1.11	1.10	1.09	1.08	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.04	0.03	0.02	0.01	0.00
112	1.12	1.11	1.10	1.09	1.08	1.07	1.06	1.05	1.04	1.03	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85	0.84	0.83	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.74	0.73	0.72	0.71	0.70	0.69	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.49	0.48	0.47	0.46	0.45	0.44	0.43	0.42	0.41	0.40	0.39	0.38	0.37	0.36	0.35	0.34	0.33	0.32																															

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14	0.46	1.48	2.48	3.48	4.48	5.48	6.48	7.48	8.48	9.48	10.48	11.48	12.48	13.48	14.48	15.48	16.48	17.48	18.48	19.48	20.48	21.48	22.48	23.48	24.48	25.48	26.48	27.48	28.48	29.48	30.48	31.48	32.48	33.48	34.48	35.48	36.48	37.48	38.48	39.48	40.48	41.48	42.48	43.48	44.48	45.48	46.48	47.48	48.48	49.48	50.48	51.48	52.48	53.48	54.48	55.48	56.48	57.48	58.48	59.48	60.48	61.48	62.48	63.48	64.48	65.48	66.48	67.48	68.48	69.48	70.48	71.48	72.48	73.48	74.48	75.48	76.48	77.48	78.48	79.48	80.48	81.48	82.48	83.48	84.48	85.48	86.48	87.48	88.48	89.48	90.48	91.48	92.48	93.48	94.48	95.48	96.48	97.48	98.48	99.48	100.48	101.48	102.48	103.48	104.48	105.48	106.48	107.48	108.48	109.48	110.48	111.48	112.48	113.48	114.48	115.48	116.48	117.48	118.48	119.48	120.48	121.48	122.48	123.48	124.48	125.48	126.48	127.48	128.48	129.48	130.48	131.48	132.48	133.48	134.48	135.48	136.48	137.48	138.48	139.48	140.48	141.48	142.48	143.48	144.48	145.48	146.48	147.48	148.48	149.48	150.48	151.48	152.48	153.48	154.48	155.48	156.48	157.48	158.48	159.48	160.48	161.48	162.48	163.48	164.48	165.48	166.48	167.48	168.48	169.48	170.48	171.48	172.48	173.48	174.48	175.48	176.48	177.48	178.48	179.48	180.48	181.48	182.48	183.48	184.48	185.48	186.48	187.48	188.48	189.48	190.48	191.48	192.48	193.48	194.48	195.48	196.48	197.48	198.48	199.48	200.48	201.48	202.48	203.48	204.48	205.48	206.48	207.48	208.48	209.48	210.48	211.48	212.48	213.48	214.48	215.48	216.48	217.48	218.48	219.48	220.48	221.48	222.48	223.48	224.48	225.48	226.48	227.48	228.48	229.48	230.48	231.48	232.48	233.48	234.48	235.48	236.48	237.48	238.48	239.48	240.48	241.48	242.48	243.48	244.48	245.48	246.48	247.48	248.48	249.48	250.48	251.48	252.48	253.48	254.48	255.48	256.48	257.48	258.48	259.48	260.48	261.48	262.48	263.48	264.48	265.48	266.48	267.48	268.48	269.48	270.48	271.48	272.48	273.48	274.48	275.48	276.48	277.48	278.48	279.48	280.48	281.48	282.48	283.48	284.48	285.48	286.48	287.48	288.48	289.48	290.48	291.48	292.48	293.48	294.48	295.48	296.48	297.48	298.48	299.48	300.48	301.48	302.48	303.48	304.48	305.48	306.48	307.48	308.48	309.48	310.48	311.48	312.48	313.48	314.48	315.48	316.48	317.48	318.48	319.48	320.48	321.48	322.48	323.48	324.48	325.48	326.48	327.48	328.48	329.48	330.48	331.48	332.48	333.48	334.48	335.48	336.48	337.48	338.48	339.48	340.48	341.48	342.48	343.48	344.48	345.48	346.48	347.48	348.48	349.48	350.48	351.48	352.48	353.48	354.48	355.48	356.48	357.48	358.48	359.48	360.48	361.48	362.48	363.48	364.48	365.48	366.48	367.48	368.48	369.48	370.48	371.48	372.48	373.48	374.48	375.48	376.48	377.48	378.48	379.48	380.48	381.48	382.48	383.48	384.48	385.48	386.48	387.48	388.48	389.48	390.48	391.48	392.48	393.48	394.48	395.48	396.48	397.48	398.48	399.48	400.48	401.48	402.48	403.48	404.48	405.48	406.48	407.48	408.48	409.48	410.48	411.48	412.48	413.48	414.48	415.48	416.48	417.48	418.48	419.48	420.48	421.48	422.48	423.48	424.48	425.48	426.48	427.48	428.48	429.48	430.48	431.48	432.48	433.48	434.48	435.48	436.48	437.48	438.48	439.48	440.48	441.48	442.48	443.48	444.48	445.48	446.48	447.48	448.48	449.48	450.48	451.48	452.48	453.48	454.48	455.48	456.48	457.48	458.48	459.48	460.48	461.48	462.48	463.48	464.48	465.48	466.48	467.48	468.48	469.48	470.48	471.48	472.48	473.48	474.48	475.48	476.48	477.48	478.48	479.48	480.48	481.48	482.48	483.48	484.48	485.48	486.48	487.48	488.48	489.48	490.48	491.48	492.48	493.48	494.48	495.48	496.48	497.48	498.48	499.48	500.48	501.48	502.48	503.48	504.48	505.48	506.48	507.48	508.48	509.48	510.48	511.48	512.48	513.48	514.48	515.48	516.48	517.48	518.48	519.48	520.48	521.48	522.48	523.48	524.48	525.48	526.48	527.48	528.48	529.48	530.48	531.48	532.48	533.48	534.48	535.48	536.48	537.48	538.48	539.48	540.48	541.48	542.48	543.48	544.48	545.48	546.48	547.48	548.48	549.48	550.48	551.48	552.48	553.48	554.48	555.48	556.48	557.48	558.48	559.48	560.48	561.48	562.48	563.48	564.48	565.48	566.48	567.48	568.48	569.48	570.48	571.48	572.48	573.48	574.48	575.48	576.48	577.48	578.48	579.48	580.48	581.48	582.48	583.48	584.48	585.48	586.48	587.48	588.48	589.48	590.48	591.48	592.48	593.48	594.48	595.48	596.48	597.48	598.48	599.48	600.48	601.48	602.48	603.48	604.48	605.48	606.48	607.48	608.48	609.48	610.48	611.48	612.48	613.48	614.48	615.48	616.48	617.48	618.48	619.48	620.48	621.48	622.48	623.48	624.48	625.48	626.48	627.48	628.48	629.48	630.48	631.48	632.48	633.48	634.48	635.48	636.48	637.48	638.48	639.48	640.48	641.48	642.48	643.48	644.48	645.48	646.48	647.48	648.48	649.48	650.48	651.48	652.48	653.48	654.48	655.48	656.48	657.48	658.48	659.48	660.48	661.48	662.48	663.48	664.48	665.48	666.48	667.48	668.48	669.48	670.48	671.48	672.48	673.48	674.48	675.48	676.48	677.48	678.48	679.48	680.48	681.48	682.48	683.48	684.48	685.48	686.48	687.48	688.48	689.48	690.48	691.48	692.48	693.48	694.48	695.48	696.48	697.48	698.48	699.48	700.48	701.48	702.48	703.48	704.48	705.48	706.48	707.48	708.48	709.48	710.48	711.48	712.48	713.48	714.48	715.48	716.48	717.48	718.48	719.48	720.48	721.48	722.48	723.48	724.48	725.48	726.48	727.48	728.48	729.48	730.48	731.48	732.48	733.48	734.48	735.48	736.48	737.48	738.48	739.48	740.48	741.48	742.48	743.48	744.48	745.48	746.48	747.48	748.48	749.48	750.48	751.48	752.48	753.48	754.48	755.48	756.48	757.48	758.48	759.48	760.48	761.48	762.48	763.48	764.48	765.48	766.48	767.48	768.48	769.48	770.48	771.48	772.48	773.48	774.48	775.48	776.48	777.48	778.48	779.48	780.48	781.48	782.48	783.48	784.48	785.48	786.48	787.48	788.48	789.48	790.48	791.48	792.48	793.48	794.48	795.48	796.48	797.48	798.48	799.48	800.48	801.48	802.48	803.48	804.48	805.48	806.48	807.48	808.48	809.48	810.48	811.48	812.48	813.48	814.48	815.48	816.48	817.48	818.48	819.48	820.48	821.48	822.48	823.48	824.48	825.48	826.48	827.48	828.48	829.48	830.48	831.48	832.48	833.48	834.48	835.48	836.48	837.48	838.48	839.48	840.48	841.48	842.48	843.48	844.48	845.48	846.48	847.48	848.48	849.48	850.48	851.48	852.48	853.48	854.48	855.48	856.48	857.48	858.48	859.48	860.48	861.48	862.48	863.48	864.48	865.48	866.48	867.48	868.48	869.48	870.48	871.48	872.48	873.48	874.48	875.48	876.48	877.48	878.48	879.48	880.48	881.48	882.48	883.48	884.48	885.48	886.48	887.48	888.48	889.48	890.48	891.48	892.48	893.48	894.48	895.48	896.48	897.48	898.48	899.48	900.48	901.48	902.48	903.48	904.48	905.48	906.48	907.48	908.48	909.48	910.48	911.48	912.48	913.48	914.48	915.48	916.48	917.48	918.48	919.48	920.48	921.48	922.48	923.48	924.48	925.48	926.48	927.48	928.48	929.48	930.48	931.48	932.48	933.48	934.48	935.48	936.48	937.48	938.48	939.48	940.48	941.48	942.48	943.48	944.48	945.48	946.48	947.48	948.48	949.48	950.48	951.48	952.48	953.48	954.48	955.48	956.48	957.48	958.48	959.48	960.48	961.48	962.48	963.48	964.48	965.48	966.48	967.48	968.48	969.48	970.48	971.48	972.48	973.48	974.48	975.48	976.48	977.48	978.48	979.48	980.48	981.48	982.48	983.48	984.48	985.48	986.48	987.48	988.48	989.48	990.48	991.48	992.48	993.48	994.48	995.48	996.48	997.48	998.48	999.48	1000.48
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WentzV4.08	4.08	8.8	8	1	50%	50%		
WentzV4.07	4.07	8.8	7	210	100	100		
WentzV4.06	4.06	7.5	5	98	13%	13%		
WentzV4.05	4.05	7.2	2	270	100%	100%		++
WentzV4.04	4.04	7.2	12	618	20%	20%		++
WentzV4.03	4.03	6.8	3	83	13%	13%		++
WentzV4.02	4.02	6.8	3	83	13%	13%		++
WentzV4.01	4.01	6.8	3	83	13%	13%		++
WentzV4.00	4.00	6.8	3	83	13%	13%		++
WentzV3.99	3.99	6.2	11	1418	25%	25%		++
WentzV3.98	3.98	1.7	18	465	32%	32%		++
WentzV3.97	3.97	1.7	18	465	32%	32%		++
WentzV3.96	3.96	1.7	18	465	32%	32%		++
WentzV3.95	3.95	1.7	18	465	32%	32%		++
WentzV3.94	3.94	1.7	18	465	32%	32%		++
WentzV3.93	3.93	1.7	18	465	32%	32%		++
WentzV3.92	3.92	1.7	18	465	32%	32%		++
WentzV3.91	3.91	1.7	18	465	32%	32%		++
WentzV3.90	3.90	1.7	18	465	32%	32%		++
WentzV3.89	3.89	1.7	18	465	32%	32%		++
WentzV3.88	3.88	1.7	18	465	32%	32%		++
WentzV3.87	3.87	1.7	18	465	32%	32%		++
WentzV3.86	3.86	1.7	18	465	32%	32%		++
WentzV3.85	3.85	1.7	18	465	32%	32%		++
WentzV3.84	3.84	1.7	18	465	32%	32%		++
WentzV3.83	3.83	1.7	18	465	32%	32%		++
WentzV3.82	3.82	1.7	18	465	32%	32%		++
WentzV3.81	3.81	1.7	18	465	32%	32%		++
WentzV3.80	3.80	1.7	18	465	32%	32%		++
WentzV3.79	3.79	1.7	18	465	32%	32%		++
WentzV3.78	3.78	1.7	18	465	32%	32%		++
WentzV3.77	3.77	1.7	18	465	32%	32%		++
WentzV3.76	3.76	1.7	18	465	32%	32%		++
WentzV3.75	3.75	1.7	18	465	32%	32%		++
WentzV3.74	3.74	1.7	18	465	32%	32%		++
WentzV3.73	3.73	1.7	18	465	32%	32%		++
WentzV3.72	3.72	1.7	18	465	32%	32%		++
WentzV3.71	3.71	1.7	18	465	32%	32%		++
WentzV3.70	3.70	1.7	18	465	32%	32%		++
WentzV3.69	3.69	1.7	18	465	32%	32%		++
WentzV3.68	3.68	1.7	18	465	32%	32%		++
WentzV3.67	3.67	1.7	18	465	32%	32%		++
WentzV3.66	3.66	1.7	18	465	32%	32%		++
WentzV3.65	3.65	1.7	18	465	32%	32%		++
WentzV3.64	3.64	1.7	18	465	32%	32%		++
WentzV3.63	3.63	1.7	18	465	32%	32%		++
WentzV3.62	3.62	1.7	18	465	32%	32%		++
WentzV3.61	3.61	1.7	18	465	32%	32%		++
WentzV3.60	3.60	1.7	18	465	32%	32%		++
WentzV3.59	3.59	1.7	18	465	32%	32%		++
WentzV3.58	3.58	1.7	18	465	32%	32%		++
WentzV3.57	3.57	1.7	18	465	32%	32%		++
WentzV3.56	3.56	1.7	18	465	32%	32%		++
WentzV3.55	3.55	1.7	18	465	32%	32%		++
WentzV3.54	3.54	1.7	18	465	32%	32%		++
WentzV3.53	3.53	1.7	18	465	32%	32%		++
WentzV3.52	3.52	1.7	18	465	32%	32%		++
WentzV3.51	3.51	1.7	18	465	32%	32%		++
WentzV3.50	3.50	1.7	18	465	32%	32%		++
WentzV3.49	3.49	1.7	18	465	32%	32%		++
WentzV3.48	3.48	1.7	18	465	32%	32%		++
WentzV3.47	3.47	1.7	18	465	32%	32%		++
WentzV3.46	3.46	1.7	18	465	32%	32%		++
WentzV3.45	3.45	1.7	18	465	32%	32%		++
WentzV3.44	3.44	1.7	18	465	32%	32%		++
WentzV3.43	3.43	1.7	18	465	32%	32%		++
WentzV3.42	3.42	1.7	18	465	32%	32%		++
WentzV3.41	3.41	1.7	18	465	32%	32%		++
WentzV3.40	3.40	1.7	18	465	32%	32%		++
WentzV3.39	3.39	1.7	18	465	32%	32%		++
WentzV3.38	3.38	1.7	18	465	32%	32%		++
WentzV3.37	3.37	1.7	18	465	32%	32%		++
WentzV3.36	3.36	1.7	18	465	32%	32%		++
WentzV3.35	3.35	1.7	18	465	32%	32%		++
WentzV3.34	3.34	1.7	18	465	32%	32%		++
WentzV3.33	3.33	1.7	18	465	32%	32%		++
WentzV3.32	3.32	1.7	18	465	32%	32%		++
WentzV3.31	3.31	1.7	18	465	32%	32%		++
WentzV3.30	3.30	1.7	18	465	32%	32%		++
WentzV3.29	3.29	1.7	18	465	32%	32%		++
WentzV3.28	3.28	1.7	18	465	32%	32%		++
WentzV3.27	3.27	1.7	18	465	32%	32%		++
WentzV3.26	3.26	1.7	18	465	32%	32%		++
WentzV3.25	3.25	1.7	18	465	32%	32%		++
WentzV3.24	3.24	1.7	18	465	32%	32%		++
WentzV3.23	3.23	1.7	18	465	32%	32%		++
WentzV3.22	3.22	1.7	18	465	32%	32%		++
WentzV3.21	3.21	1.7	18	465	32%	32%		++
WentzV3.20	3.20	1.7	18	465	32%	32%		++
WentzV3.19	3.19	1.7	18	465	32%	32%		++
WentzV3.18	3.18	1.7	18	465	32%	32%		++
WentzV3.17	3.17	1.7	18	465	32%	32%		++
WentzV3.16	3.16	1.7	18	465	32%	32%		++
WentzV3.15	3.15	1.7	18	465	32%	32%		++
WentzV3.14	3.14	1.7	18	465	32%	32%		++
WentzV3.13	3.13	1.7	18	465	32%	32%		++
WentzV3.12	3.12	1.7	18	465	32%	32%		++
WentzV3.11	3.11	1.7	18	465	32%	32%		++
WentzV3.10	3.10	1.7	18	465	32%	32%		++
WentzV3.09	3.09	1.7	18	465	32%	32%		++
WentzV3.08	3.08	1.7	18	465	32%	32%		++
WentzV3.07	3.07	1.7	18	465	32%	32%		++
WentzV3.06	3.06	1.7	18	465	32%	32%		++
WentzV3.05	3.05	1.7	18	465	32%	32%		++
WentzV3.04	3.04	1.7	18	465	32%	32%		++
WentzV3.03	3.03	1.7	18	465	32%	32%		++
WentzV3.02	3.02	1.7	18	465	32%	32%		++
WentzV3.01	3.01	1.7	18	465	32%	32%		++
WentzV3.00	3.00	1.7	18	465	32%	32%		++
WentzV2.99	2.99	1.7	18	465	32%	32%		++
WentzV2.98	2.98	1.7	18	465	32%	32%		++
WentzV2.97	2.97	1.7	18	465	32%	32%		++
WentzV2.96	2.96	1.7	18	465	32%	32%		++
WentzV2.95	2.95	1.7	18	465	32%	32%		++
WentzV2.94	2.94	1.7	18	465	32%	32%		++
WentzV2.93	2.93	1.7	18	465	32%	32%		++
WentzV2.92	2.92	1.7	18	465	32%	32%		++
WentzV2.91	2.91	1.7	18	465	32%	32%		++
WentzV2.90	2.90	1.7	18	465	32%	32%		++
WentzV2.89	2.89	1.7	18	465	32%	32%		++
WentzV2.88	2.88	1.7	18	465	32%	32%		++
WentzV2.87	2.87	1.7	18	465	32%	32%		++
WentzV2.86	2.86	1.7	18	465	32%	32%		++
WentzV2.85	2.85	1.7	18	465	32%	32%		++
WentzV2.84	2.84	1.7	18	465	32%	32%		++
WentzV2.83	2.83	1.7	18	465	32%	32%		++
WentzV2.82	2.82	1.7	18	465	32%	32%		++
WentzV2.81	2.81	1.7	18	465	32%	32%		++
WentzV2.80	2.80	1.7	18	465	32%	32%		++
WentzV2.79	2.79	1.7	18	465	32%	32%		++
WentzV2.78	2.78	1.7	18	465	32%	32%		++
WentzV2.77	2.77	1.7	18	465	32%	32%		++
WentzV2.76	2.76	1.7	18	465	32%	32%		++
WentzV2.75	2.75	1.7	18	465	32%	32%		++
WentzV2.74	2.74	1.7	18	465	32%	32%		++
WentzV2.73	2.73	1.7	18	465	32%	32%		++
WentzV2.72	2.72	1.7	18	465	32%	32%		++
WentzV2.71	2.71	1.7	18	465	32%	32%		++
WentzV2.70	2.70	1.7	18	465	32%	32%		++
WentzV2.69	2.69	1.7	18	465	32%	32%		++
WentzV2.68	2.68	1.7	18	465	32%	32%		++
WentzV2.67	2.67	1.7	18	465	32%	32%		++
WentzV2.66	2.66	1.7	18	465	32%	32%		++
WentzV2.65	2.65	1.7	18	465	32%	32%		++
WentzV2.64	2.64	1.7	18	465	32%	32%		++
WentzV2.63	2.63	1.7	18	465	32%	32%		++
WentzV2.62	2.62	1.7	18	465	32%	32%		++
WentzV2.61	2.61	1.7	18	465	32%	32%		++
WentzV2.60	2.60	1.7	18	465	32%	32%		++
WentzV2.59	2.59	1.7	18	465	32%	32%		++
WentzV2.58	2.58	1.7	18	465	32%	32%		++
WentzV2.57	2.57	1.7	18	465	32%	32%		++
WentzV2.56	2.56	1.7	18	465	32%	32%		++
WentzV2.55	2.55	1.7	18	465	32%	32%		++
WentzV2.54	2.54	1.7	18	465	32%	32%		++
WentzV2.53	2.53	1.7	18	465	32%	32%		++
WentzV2.52	2.52	1.7	18	465	32%	32%		++
WentzV2.51	2.51	1.7	18	465	32%	32%		++
WentzV2.50	2.50	1.7	18	465	32%	32%		++
WentzV2.49	2.49	1.7	18	465	32%	32%		++
WentzV2.48	2.48	1.7	18	465	32%	32%		++
WentzV2.47	2.47	1.7	18	465	32%	32%		++
WentzV2.46	2.46	1.7	18	465	32%	32%		++
WentzV2.45	2.45	1.7	18	465	32%	32%		++
WentzV2.44	2.44	1.7	18	465	32%	32%		++
WentzV2.43	2.43	1.7	18	465	32%	32%		++
WentzV2.42	2.42	1.7	18	465	32%	32%		++
WentzV2.41	2.41	1.7	18	465	32%	32%		++
WentzV2.40	2.40	1.7	18	465	32%	32%		++
WentzV2.39	2.39	1.7	18	465	32%	32%		

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Portugal	1.72	4.18	1.19	1.80	62.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63.26	63
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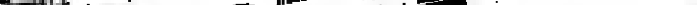
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